

HEALTH BENEFITS

HEARING
BEFORE THE
SUBCOMMITTEE ON
COMPENSATION AND EMPLOYMENT BENEFITS
OF THE
COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
UNITED STATES SENATE
NINETY-THIRD CONGRESS
FIRST SESSION
ON
H.R. 9256
AN ACT TO INCREASE THE CONTRIBUTION OF THE GOV-
ERNMENT TO THE COSTS OF HEALTH BENEFITS FOR
FEDERAL EMPLOYEES, AND FOR OTHER PURPOSES

NOVEMBER 9, 1973

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Committee on Post Office and Civil Service



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HEALTH BENEFITS

FRIDAY, NOVEMBER 9, 1973

U.S. SENATE,
SUBCOMMITTEE ON COMPENSATION AND EMPLOYMENT
BENEFITS OF THE SENATE COMMITTEE ON
POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 6202, Dirksen Senate Office Building, Hon. Quentin N. Burdick (chairman of the subcommittee) presiding.

Also present: Senator Fong.

Staff members present: Thomas Ebzery, counsel; and Clyde DuPont, minority counsel.

OPENING STATEMENT OF CHAIRMAN BURDICK

Senator BURDICK. The Subcommittee on Compensation and Employment Benefits has been convened to take testimony on H.R. 9256, a bill to increase the Government contribution to health insurance coverage for Federal employees.

This bill, along with its predecessors, including S. 1908, which I introduced this year, is long overdue. Last year H.R. 12202, similar to H.R. 9256, was approved in both Houses of Congress only to be scuttled in conference over a provision unrelated to the basic Government contribution to the spiraling costs of health insurance.

Today it is my desire to solicit the testimony from experts on both sides of the issue on all provisions of this legislation. Next week, the full committee will meet in executive session and at that time it is hoped that many of the provisions in this bill will be approved and sent to the Senate floor for quick approval.

While Andy steps up to the witness table, for the record, I request that copies of H.R. 9256, S. 1908, and the agency report from the Civil Service Commission be printed with today's colloquy.

[The aforementioned follow:]

(1)

93^d CONGRESS
1st SESSION

H. R. 9256

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 21, 1973

Read twice and referred to the Committee on Post Office and Civil Service

AN ACT

To increase the contribution of the Government to the costs of health benefits for Federal employees, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled.*

3 That (a) subsections (a) and (b) of section 8906 of title
4 5, United States Code, are amended to read as follows:

5 “(a) The Commission shall determine the average of
6 the subscription charges in effect on the beginning date of
7 each contract year with respect to self alone or self and
8 family enrollments under this chapter, as applicable, for the
9 highest level of benefits offered by—

10 “(1) the service benefit plan;

11 “(2) the indemnity benefit plan;

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1 “(3) the two employee organization plans with the
2 largest number of enrollments, as determined by the
3 Commission; and

4 “(4) the two comprehensive medical plans with
5 the largest number of enrollments, as determined by
6 the Commission.

7 “(b) (1) Except as provided by paragraph (2) of this
8 subsection, the biweekly Government contribution for health
9 benefits for an employee or annuitant enrolled in a health
10 benefits plan under this chapter shall be adjusted, beginning
11 on the first day of the first applicable pay period of each year,
12 to an amount equal to the following percentage, as applicable,
13 of the average subscription charge determined under sub-
14 section (a) of this section: 55 percent for applicable pay
15 periods commencing in 1973; 60 percent for applicable pay
16 periods commencing in 1974; 65 percent for applicable pay
17 periods commencing in 1975; 70 percent for applicable pay
18 periods commencing in 1976; and 75 percent for applicable
19 pay periods commencing in 1977 and in each year thereafter.

20 “(2) The biweekly Government contribution for an em-
21 ployee or annuitant enrolled in a plan under this chapter
22 shall not exceed 75 percent of the subscription charge.”.

23 (b) Section 8906 (c) of title 5, United States Code, is
24 amended by striking out “subsections (a) and (b)” and
25 inserting “subsection (b)” in lieu thereof.

3

1 (c) Section 8906 (g) of title 5, United States Code, is
2 amended by striking out "subsection (a) of".

3 SEC. 2. (a) Notwithstanding any other provision of law,
4 an annuitant, as defined under section 8901 (3) of title 5,
5 United States Code, who is participating or who is eligible to
6 participate in the health benefits program offered under the
7 Retired Federal Employees Health Benefits Act (74 Stat.
8 849; Public Law 86-724), may elect, in accordance with
9 regulations prescribed by the United States Civil Service
10 Commission, to be covered under the provisions of chapter 89
11 of title 5, United States Code, in lieu of coverage under such
12 Act.

13 (b) An annuitant who elects to be covered under the
14 provisions of chapter 89 of title 5, United States Code, in
15 accordance with subsection (a) of this section, shall be en-
16 titled to the benefits under such chapter 89.

17 SEC. 3. Section 8902 of title 5, United States Code,
18 is amended by adding at the end thereof the following
19 subsection:

20 "(j) Each contract under this chapter shall require
21 the carrier to agree to pay for or provide a health service or
22 supply in an individual case if the Commission finds that the
23 employee, annuitant, or family member is entitled thereto
24 under the terms of the contract."

25 SEC. 4. (a) The first section of this Act shall take effect

1 on the first day of the first applicable pay period which
2 begins on or after the thirtieth day following the date of
3 enactment.

4 (b) Section 2 shall take effect on the one hundred and
5 eightieth day following the date of enactment or on such
6 earlier date as the United States Civil Service Commission
7 may prescribe.

8 (c) Section 3 shall become effective with respect to any
9 contract entered into or renewed on or after the date of
10 enactment of this Act.

11 (d) The determination of the average of subscription
12 charges and the adjustment of the Government contributions
13 for 1973, under section 8906 of title 5, United States Code,
14 as amended by the first section of this Act, shall take effect
15 on the first day of the first applicable pay period which
16 begins on or after the thirtieth day following the date of
17 enactment of this Act.

Passed the House of Representatives September 20,
1973.

Attest:

W. PAT JENNINGS,

Clerk

98th CONGRESS
1st Session

S. 1908

IN THE SENATE OF THE UNITED STATES

MAY 30, 1973

Mr. BURDICK introduced the following bill; which was read twice and referred to the Committee on Post Office and Civil Service

A BILL

To increase the Government's contribution to the costs of health benefits insurance for Federal employees, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) section 8906 (a) of title 5, United States Code, is
4 amended by striking out "40 percent" and inserting in lieu
5 thereof "50 percent (in the case of any pay period commence-
6 *ing after December 31, 1973, and before January 1, 1975),*
7 60 percent (in the case of any pay period commencing after
8 December 31, 1974, and before January 1, 1976), and 70
9 percent (in the case of any pay period commencing after
10 December 31, 1975),".

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1 (b) Section 8906 (b) of such title is amended to read
2 as follows:

3 “(b) In no event shall the Government contribution for
4 an employee or annuitant enrolled in a plan exceed—

5 “(1) in the case of any pay period commencing
6 after December 31, 1973, and before January 1, 1975,
7 50 percent of the biweekly subscription charge;

8 “(2) in the case of any pay period commencing
9 after December 31, 1974, and before January 1, 1976,
10 60 percent of the biweekly subscription charge; and

11 “(3) in the case of any pay period commencing
12 after December 31, 1975, 70 percent of the subscrip-
13 tion biweekly charge.”

14 SEC. 2. The amendments made by the first section of
15 this Act shall become effective at the beginning of the first
16 applicable pay period which commences after December
17 31, 1973.

18 SEC. 3. (a) Notwithstanding any other provision of
19 law, an annuitant, as defined under section 8901 (3) of title
20 5, United States Code, who is participating or who is eligible
21 to participate in the health benefits program offered under the
22 Retired Federal Employees Health Benefits Act (74 Stat.
23 849; Public Law 86-724), may elect, in accordance with
24 regulations prescribed by the United States Civil Service
25 Commission, to be covered under the provisions of chapter

3

1 89 of title 5, United States Code, in lieu of coverage under
2 such Act.

3 (b) An annuitant who elects to be covered under the
4 provisions of chapter 89 of title 5, United States Code, in
5 accordance with subsection (a) of this section, shall be en-
6 titled to benefits under such chapter 89.



UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON, D.C. 20415

November 8, 1973

Honorable Gale W. McGee
Chairman, Committee on Post Office
and Civil Service
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Although we have not received a request, we are submitting the Commission's views on H.R. 9256, a bill to increase the contribution of Government to the costs of health benefits for Federal employees, and for other purposes.

In brief, H.R. 9256 would amend the Federal Employees Health Benefits law (5 U.S.C., ch. 89) to make the following changes:

- Increase the Federal Government's contribution from 40 to 55 percent of the average high option premium of the two Government-wide plans, the two largest employee organization plans and the two largest comprehensive medical plans participating in the Federal Employees Health Benefits Program, with an additional increase of 5 percent per year until the Government contribution reaches 75 percent of the average high option premium of these selected plans; however, the Government contribution would not exceed 75 percent of the employee's or annuitant's actual subscription charge.
- Allow pre-1960 retirees under the Retired Federal Employees Health Benefits Program (RFEHB) to change to the Federal Employees Health Benefits Program (FEHB).
- Require a carrier participating in the Federal Employees Health Benefits Program to agree to comply with a Commission decision in a health benefits claims dispute.

SECTION 1 - INCREASE IN GOVERNMENT CONTRIBUTION

In 1971, the Government's contribution was almost doubled to approximately 40 percent of premium. The Commission cannot favor a further increase in the Government contribution at a time when the Administration is trying to exercise financial restraint.

The Commission's opinion is that under present circumstances the current 40 percent contribution, with provision for maintaining it at that level in future years as premiums increase, represents an equitable sharing of the cost of health benefits with employees, especially when considered in the light of the Government's total expenditure for fringe benefits. Government expenditures for Federal employee benefits compare favorably with those of private employers although the components of the Federal and private benefits packages vary.

Government contributions to fringe benefits, as a percentage of basic payroll, will continue to rise as a result of commitments made over the past few years. For example, the added paid holiday (Columbus Day) will contribute to an increase in the percentage of Federal payroll expenditures attributable to employee benefits. Also, the requirement that the Government's share of the health benefits premium be maintained at approximately 40 percent will increase the percentage of payroll expenditures for health benefits, assuming health costs continue to rise faster than payroll.

Federal salary rates have been raised substantially during recent years as a result of adoption of the comparability principle. As a result, the purchasing power of Federal employees, including their ability to pay higher health benefits premiums, has been maintained despite inflation.

As emphasized by the President in his 1974 budget message in which Congress was urged to join in a concerted effort to control Federal spending, there is a current urgent need to exercise fiscal restraint. In view of this need, the substantial cost of this proposal, and the reasons discussed above, the Commission strongly opposes enactment of section 1 of this bill.

The following table shows what the additional cost to the Government would be for the five fiscal years beginning July 1, 1973 if Section 1 of H.R. 9256 were in effect beginning January 1, 1974. Costs are shown on a static basis which assumes no increase in premiums or enrollment and on a dynamic basis which assumes increases in premiums and enrollment similar to those experienced in the past. Both projections include the increased contributions for the second half of Fiscal Year 1974.

Estimated Government Health Benefits Contribution (in millions)

<u>Fiscal Year</u>	<u>Static</u>			<u>Dynamic</u>		
	<u>Present Law</u>	<u>H.R. 9256</u>	<u>Increase</u>	<u>Present Law</u>	<u>H.R. 9256</u>	<u>Increase</u>
1974	\$266.8	\$417.6	\$150.8	\$266.8	\$ 417.6	\$150.8
1975	533.6	865.2	331.6	558.4	921.5	363.1
1976	533.6	923.9	390.3	607.9	1102.3	494.4
1977	533.6	976.6	443.0	659.1	1299.1	640.0
1978	533.6	1000.7	467.1	714.3	1480.8	766.5

SECTION 2 - RETIREES IN THE RFEHB PROGRAM

There are approximately 210,000 pre-1960 retirees enrolled in the RFEHB Program. Some 80 percent of these retirees are over age 65 and are covered by Medicare hospital and medical insurance. They have available excellent coverage supplementary to the basic Medicare protection, either through the Government-sponsored Uniform Plan or through privately sponsored plans especially designed to supplement Medicare. The cost of many private plans supplementary to Medicare is reasonable and the Government adds \$3.50 (self only) or \$7 (self and family) to the retiree's monthly annuity check to help pay these premiums. The same contribution is made to enrollees in the Uniform Plan, and they pay only an additional \$.50 (self only) or \$1 (family) a month for the supplementary protection.

Our experience is that many older people tend to buy as much insurance as they can get and may already be overinsured. If section 2 is enacted, it is our considered opinion that a significant number of these people would switch to the FEHB Program in the mistaken belief that they needed the additional protection and at considerable more needless cost to themselves, as well as to the Government.

Because the large majority of people enrolled in the RFEHB Program already have excellent health insurance protection at very reasonable cost, and because we believe that the option afforded by section 2 to switch to the more costly FEHB Program would cause many of them to do so contrary to their best interests, the Commission opposes enactment of section 2 of H.R. 9256.

The annual Government cost for section 2 is estimated to be about \$7.6 million, assuming that only enrollees not eligible for Medicare transfer. Because this would entail a substantial additional cost to the enrollee, we further assume that only one-fourth of those not covered by Medicare will transfer, in which case the cost would be \$1.9 million a year.

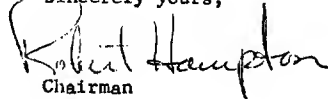
SECTION 3 - HEALTH BENEFITS CLAIMS DISPUTES

We are not currently experiencing any problems in securing carriers' compliance with Commission decisions on interpretation of contract benefit provisions. However, the Commission has no objection to Section 3 and would support its enactment if it were introduced as a separate bill.

The Office of Management and Budget advises that there is no objection to the submission of this report and that enactment of H.R. 9256 would not be in accord with the program of the President.

By direction of the Commission:

Sincerely yours,


Chairman

Senator BURDICK. Our first witness this morning is Andrew E. Ruddock, Director of the Bureau on Retirement, Insurance, and Occupational Health, U.S. Civil Service Commission.

**STATEMENT OF HON. ANDREW E. RUDDOCK, DIRECTOR, BUREAU
ON RETIREMENT, INSURANCE, AND OCCUPATIONAL HEALTH,
U.S. CIVIL SERVICE COMMISSION**

Senator BURDICK. It is a pleasure to welcome an old friend to our committee. Proceed in any way you wish, Andy.

Mr. RUDDOCK. Thank you, Mr. Chairman. I would like to present my statement.

Senator BURDICK. Please proceed.

Mr. RUDDOCK. I appreciate this opportunity to appear before your subcommittee to give the Commission's views on H.R. 9256, a bill to increase the Government contribution to the costs of health benefits for Federal employees, and for other purposes.

Briefly, H.R. 9256 would amend the Federal employees health benefits law to make these changes:

1. It would increase the Federal Government contribution from 40 to 55 percent, with an additional increase of 5 percent per year until the government contribution reaches 75 percent of the average high option premium of the six largest plans participating in the Federal employees health benefits program.

2. It would allow pre-1960 retirees now in the retired Federal employees health benefits program to change to the Federal employees health benefits program.

3. It would require a carrier participating in the Federal employees health benefits program to agree to comply with a Commission decision in health benefits claims disputes.

The Commission is strongly opposed to the first two proposals relating to an increase in the government contribution and pre-1960 retirees. It would support the third proposal relating to claims disputes if it were in a separate bill.

With respect to the first proposal for an increase in the Government's contribution, the Government now contributes 40 percent of the average high-option premium of the two Government-wide plans, the two largest employee organization plans, and the two largest comprehensive health plans participating in the Federal employees health benefits program.

H.R. 9256 would increase the Government's contribution to 55 percent of this average beginning in 1973, with an additional increase of 5 percent yearly until the contribution reaches 75 percent in 1977 and thereafter. This bill would also extend the ceiling on the Government's contribution for any enrollee to 75 percent of the actual subscription charge, in contrast to the 50 percent maximum under present law.

The Commission is strongly opposed to a liberalization in the formula for fixing the Government's contribution toward the cost of health benefits as proposed by H.R. 9256. This view is based primarily on our present comparative position in relation to benefits offered by other major employers, and on the current need to exercise fiscal restraint.

Those in favor of an increased Government contribution frequently cite other employers who pay a larger share of the cost of employee health benefits as evidence in favor of their position. We agree that a number of employers—especially in the private sector—contribute a larger share of the cost of health benefits than does the Federal Government.

More significant, in our judgment, is a closer consideration of what these same employers offer in the major parts of their benefits package in comparison with what the Government offers its employees. It should also be noted that by no means do all other major employers pay a larger share of the cost of health benefits for their workers than we do.

In a comparison based on 6 major benefits programs, for example, we found through a recent study of 11 employers who were paying a larger share of the cost of health benefits, that only one of these employers had a more liberal package of total benefits than does the Federal Government. This one employer was New York State which is encountering grave financial problems in attempting to finance these benefits.

Copies of this study were recently sent to the Committee on Post Office and Civil Service. The study included consideration of retirement, life insurance, health benefits, vacations, sick leave and holidays. The study showed essentially that while one employer may devote more of his compensation resources to a specific benefit program than another employer, their competitive positions tend to be reversed if you examine a different area of compensation. In short, it is unlikely that a single employer can be most liberal in every element of the total compensation package.

A few specifics may help to illustrate this point. General Motors, for example, pays almost the entire cost of health benefits for its employees. However, it offers notably lesser benefits in respect to retirement (for example, no automatic cost of living adjustments), and vacations (for example, 15 years' service required to earn 4 weeks' vacation rather than the 3 years in Government), than are enjoyed by Federal employees.

Conversely, while the Government offers vacation benefits which are more liberal than those of most other employers studied, it provides less compensation in the form of a contribution toward health benefits than do the other employers studied.

This leads me to a consideration of what the increased contribution proposed in H.R. 9256 would cost. Exclusive of any costs for postal employees, the added cost to the Government would increase from about \$151 million in fiscal year 1974 to \$467 million in fiscal year 1978. This assumes an effective date of January 1, 1974, and no further increases in health plan rates or enrollment. If we use a dynamic projection, assuming increases in health plan rates and enrollment similar to those experienced in the past, the additional cost to the Government would increase from about \$151 million in fiscal year 1974 to \$767 million in fiscal year 1978. Both projections include the increased contributions for the second half of fiscal year 1974.

In our opinion, these added costs are clearly incompatible with the imperative need to exercise fiscal restraint. This was emphasized in

the President's address to the Nation on June 13, 1973, announcing the price freeze, as well as in his 1974 budget message urging the Congress to join in a concerted effort to control Federal spending.

We have concluded, therefore, that an increase in the Government's share of the cost of health benefits is unnecessary from the standpoint of overall benefits comparability with other employers, and is unwarranted from the standpoint of fiscal responsibility.

I would next like to consider the second proposal which would allow pre-1960 retirees now in the retired Federal employees health benefits program to change to the Federal employees health benefits program. There are about 210,000 of these people. Some 80 percent of them are over age 65 and are covered by medicare hospital and medical insurance. They have available adequate coverage supplementary to the basic medicare protection, either through the Government sponsored uniform plan or through privately sponsored plans supplementary to medicare. The cost of many private plans supplementary to medicare is reasonable and the Government adds \$3.50 for a self-only or \$7 for a family enrollment to the retiree's monthly annuity check to help him pay these premiums. The same contribution is made to enrollees in the uniform plan, and they pay only an additional 50 cents a month for self only or \$1 for a family for the supplementary protection.

The Commission's experience is that many older people tend to buy as much insurance as they can get and may already be overinsured. If this proposal in H.R. 9256 is enacted, it is our opinion that a significant number of these people would switch to the Federal employees health benefits program in the mistaken belief that they need the additional protection and at considerable more needless cost to themselves, as well as to the Government.

Because the large majority of people enrolled in the retired Federal employees health benefits program already have very good health insurance protection at very reasonable cost, and because we believe that the option afforded by this proposal to switch to the more costly Federal employees health benefits program would cause many of them to do so contrary to their best interests, the Commission opposes enactment of this proposal.

The third proposal would require that there be inserted in each contract under the Federal employees health benefits program, a provision relating to claims disputes. This provision would require the carrier to pay for or provide health benefits in individual cases where the Commission makes a determination that the covered employee, annuitant, or family member is entitled to the benefit under the terms of the contract.

We are not currently experiencing any problems in securing carriers' compliance with Commission decisions on interpretation of contract benefit provisions. However, the Commission has no objection to this proposal and would support its enactment if it were introduced as a separate bill.

In conclusion, for the reasons stated, the Commission strongly opposes enactment of the proposals relating to an increase in the Government's contribution to health benefits and to pre-1960 retirees, and strongly urges that favorable action not be taken on the bill.

I will be glad to try to answer any questions the subcommittee might care to ask.

Senator BURDICK. Thank you, Mr. Ruddock.

We never have any problem in finding out where you stand.

Mr. RUDDOCK. No, and I guess it is not a surprise.

Senator BURDICK. Mr. Ruddock, what are the proposed increases for the employee by Blue Cross and Aetna this year?

Mr. RUDDOCK. Mr. Chairman, the increases in the plans for employees who chose to participate in the service benefit plan, which is Blue Cross-Blue Shield, and in the Aetna plan, which is the indemnity benefit plan, as well as all the other benefit plans, are already fixed. We are not in the proposal stage. The rates have been negotiated, and have been approved by the Commission, for 1974. In Blue Cross-Blue Shield, let me give you the high option family, which I think is the most significant rate. For 1973 the total biweekly premium was \$24.28; for 1974 it will be \$28.97.

For the indemnity benefit plan, in which Aetna is the contractor, the 1973 high option family rate was \$23.05 biweekly; for 1974 it will be \$26.17.

Senator BURDICK. Then as these costs go up, the percentage of Federal contribution goes down; is that correct?

Mr. RUDDOCK. It does for those employees who are in a plan in which the premium increase is larger than the average increase in the six largest plans. Let me explain that.

The Government's contribution is 40 percent of the average high option premium of the service benefit plan, the indemnity benefit plan, the National Association of Letter Carriers plan, the American Postal Workers Union plan, the Kaiser Plan of Northern California, and the Kaiser Plan of Southern California. The average increase in the premium of these six for 1974 is around 8 percent. So the Government's contribution goes up by the average of that increase. Since the increase for Blue Cross-Blue Shield and for Aetna is larger than that average, then the percentage of the total premium for those employees paid by the Federal Government, you are quite correct, does go down.

Senator BURDICK. Mr. Ruddock, with the postal workers receiving an increase in their contribution of 55 percent next year, wouldn't it also be consistent to increase Federal employees' contribution because they share many of the same benefits?

Mr. RUDDOCK. Consistent, yes, sir. However, I would point out that the provision you have just cited was a provision in a contract negotiated between the unions representing the employees and management. I was not party to those negotiations and obviously know very little about what occurred. But ordinarily, where there are contract negotiations with the unions, there is give and take. You get something and you give something. I have no idea what concession, if any, was made by the unions in order to get that particular provision in the contract.

Senator BURDICK. Mr. Ruddock, we are negotiating right now. Isn't it going to be a little inconsistent to have one Federal employee in this building getting 55 percent and a Federal employee in this building next to him getting 40 percent?

Mr. RUDDOCK. Yes, sir.

Senator BURDICK. Don't you think we ought to kind of correct that disparity?

Mr. RUDDOCK. I think a comparison can be made between those Federal employees who are in the Postal Service, where an entirely differ-

ent set of conditions prevail, and other Federal employees. But I think a comparison also needs to be made with other large employers.

In making that kind of comparison, it is our finding that when you look at the total fringe benefits package, the Federal Government's package compares very, very favorably with the best.

Senator BURDICK. Yes, but the postal workers have the same retirement package.

Mr. RUDDOCK. Yes, sir. The fringe benefit package in total for non-postal employees does not compare favorably with what has been negotiated for postal employees. But that is one comparison. Other comparisons can also be made.

Senator BURDICK. The President, as I am advised, has stated several times that a 75-percent contribution by private industry to employees' health plans is reasonable. Why is it acceptable for private employees and not for public employees?

Mr. RUDDOCK. It is my recollection, Mr. Chairman, that that proposal was made in connection with a proposal for a system of national health insurance, and that what was contemplated in terms of the 75-percent contribution by the employer was a more or less basic set of benefits, a set of benefits which would not compare favorably with our high option benefits and, of course, which would not be comparably priced. I think I can say without any qualms whatsoever that if, as, and when, the law of the land requires private employers to make a larger dollar contribution toward health benefits than what the Federal Government is making for its employees, it is my belief that the Federal Government will get in line very, very quickly.

Senator BURDICK. As to the retired Federal employees health benefit program you mentioned that these 210,000 employees have available adequate coverage supplementary to their basic medical protection. Explain what you consider to be adequate.

Mr. RUDDOCK. We consider as adequate the protection offered by the hospital and medical insurance of medicare supplemented by a plan, which can be any one of a variety of plans, which would pick up a substantial part of the cost of the health care not paid for by medicare. For example, a plan that would help the employee to meet the deductibles and coinsurance that apply under medicare.

Senator BURDICK. Administratively, what kind of problems result from the enactment of the pre-1960 retiree provisions of the bill?

Mr. RUDDOCK. Administratively?

Senator BURDICK. Yes.

Mr. RUDDOCK. I think the major administrative problem would be the problem of communicating with the pre-1960 retiree, getting them to understand what is being offered, and to enable them to make a reasoned decision. Many of the annuitants are getting up in years. They are not at all familiar with insurance in general and particularly with the details and the complexities of health insurance. We have to deal with them by correspondence, and it is extremely difficult to get across the message that here is what is being offered, here is what it costs, here is how it ties in with what else they may have.

I would say the problem of communication with these elderly people would be the biggest problem. In the retired health benefits program, I would remind you, mostly we have people who are getting up in years because they are all retirements that occurred before July 1,

1960. In other words, we are talking about a group of whom, generally speaking, the youngest has been retired for 13 years.

Senator BURDICK. You have stated that the termination of child's health benefits at age 22 presents no barrier, financially or otherwise, to the continuation of his educational programs or intentions. Can you explain that a little more fully?

Mr. RUDDOCK. Senator Burdick, in the bill as it was introduced in the House, there was a provision which would have continued family coverage for a child beyond the age of 22, which is the current provision. As the bill passed the House, and as we are looking at it this morning, there is no provision for changing the age limit for coverage of a child.

Senator BURDICK. But we are enacting a bill, too. What would be the objection to raising it?

Mr. RUDDOCK. To raising that age?

Senator BURDICK. Yes, for educational purposes.

Mr. RUDDOCK. I think we are talking in terms of the Government's contribution and the pooling of premium, if you will, with other Federal employees being intended to help the employee to carry his family responsibilities.

There is a real question, it seems to me, as to at what point does that responsibility end? If the coverage is extended beyond age 22 for children who are in full-time attendance at school, then what we are doing is shifting financial responsibility, which is now with the parent to take care of the health care costs of that child, partly to the Government and partly to other employees who are paying premiums and who do not have children beyond the age of 22.

It is my personal belief that the responsibility for the health care of children beyond the age of 22 should remain where it is, which is with the family.

Senator BURDICK. Now, Mr. Ruddock, will you get your pencil out and a piece of paper? We will do some bargaining right now.

Mr. RUDDOCK. May I send for a calculator?

Senator BURDICK. Suppose we should report a bill that would require a 50-percent contribution by the Federal Government for employees for the year 1974 and 55 percent for 1975. What would it cost? Bear in mind this is still below the postal workers.

Mr. RUDDOCK. This is extremely rough and I would like to refine the figures and submit them for the record.

For the balance of fiscal year 1974, assuming a January 1 effective date, the increased Government cost would be roughly \$100 million.

Senator BURDICK. For the year 1974?

Mr. RUDDOCK. For the year 1974. That is an increase from 40 percent to 50 percent for the second half of fiscal year 1974. The increase for the following year would be 55 percent.

Senator BURDICK. It would be about half of the \$100 million; wouldn't it?

Mr. RUDDOCK. No. It would be twice \$100 million plus the cost of an additional 5 percent, which would be about \$300 million for 1975. As I say, I would like to refine those figures for the record.

Senator BURDICK. I see. You are talking about the fiscal year now?

Mr. RUDDOCK. Yes, sir. You see, for fiscal 1974 we would have only 6 months. For fiscal 1975 we would have a full year and with the 55-percent contribution rather than 50.

Senator BURDICK. In other words, the first year would cost \$100 million and the second year would cost \$200 million?

Mr. RUDDOCK. The first year \$100 million and the second year about \$300 million.

Senator BURDICK. Would you supply these figures from your calculator?

Mr. RUDDOCK. Yes, sir.

Senator BURDICK. Could you get them to us before next Tuesday afternoon?

Mr. RUDDOCK. Yes. I will get them this afternoon.

Mr. EBZERY. Would those figures be on a static or dynamic basis?

Mr. RUDDOCK. Static. Do you want it both ways?

Mr. EBZERY. Yes.

Mr. RUDDOCK. Yes, sir, we will.

Senator BURDICK. Will you give us the figures on the postal contract also?

Mr. RUDDOCK. That is, if the terms of the postal contract were applied to all Federal employees?

Senator BURDICK. Yes.

Mr. RUDDOCK. Yes, sir.

Senator BURDICK. By Tuesday morning?

Mr. RUDDOCK. This afternoon.

Senator BURDICK. Thank you very much.

[The aforementioned was subsequently supplied for the record:]

H.R. 9256—ALTERNATIVE PROPOSALS
INCREASE IN COST FOR NONPOSTAL EMPLOYEES
[In millions of dollars]

Fiscal year	Static	Dynamic
A. 50 percent rate on Jan. 1, 1974; 55 percent on Jan. 1, 1975 and later; 75 percent maximum on Jan. 1, 1974:		
1974	\$90.1	\$90.1
1975	210.9	234.8
1976	241.6	315.4
1977	241.6	370.7
1978	241.6	432.8
B. Postal rates: 55 percent rate on Jan. 1, 1974 with 68.75 percent maximum; 65 percent rate on July 20, 1974 with 81.25 percent maximum:		
1974	119.5	119.5
1975	361.0	392.6
1976	364.4	461.6
1977	364.4	533.7
1978	364.4	614.4

Senator BURDICK. Senator Fong?

Senator FONG. Thank you, Mr. Chairman.

Mr. RUDDOCK, the present cost to the Government is how much?

Mr. RUDDOCK. Are you talking in terms of biweekly or are you talking in terms of calendar years or fiscal years?

Senator FONG. The regular fiscal year basis.

Mr. RUDDOCK. Let me give it to you by calendar year. I don't have it by fiscal year.

Senator FONG. That will be all right.

Mr. RUDDOCK. For calendar year 1974, using the present law the Government contribution, excluding postal employees, will be \$533 million. It is anticipated that employees in calendar year 1974 will contribute about \$800 million, making the total program cost, exclusive of postal, \$1,334 million.

Senator FONG. You said the Government's contribution in 1974 would be \$533 million?

Mr. RUDDOCK. Yes, sir.

Senator FONG. And then the \$800 million is by whom?

Mr. RUDDOCK. By the employees. We add those two together to pay the premium.

Senator FONG. The two give one billion three?

Mr. RUDDOCK. \$1.334 million; yes, sir.

Senator FONG. If we were to increase the Government's contribution to 55 percent, you stated it will cost another \$151 million in fiscal 1974, but what would be the increase in calendar 1974?

Mr. RUDDOCK. Calendar would be twice that. That increase is for the first 6 months of 1974, so it would be \$302 million.

Senator FONG. \$302 million increase?

Mr. RUDDOCK. Increase, yes, sir.

Senator FONG. This would reduce the employees by \$302 million?

Mr. RUDDOCK. The employee contribution would be reduced by an identical amount.

Senator FONG. And then if he were to continue to increase it by 5 percent every year, what would that amount to?

Mr. RUDDOCK. On a static basis, which is assuming no further premium increases and no changes in the number of people covered, for fiscal year 1975 the increase would be \$331 million; for 1976 it would be \$390 million; for 1977 it would be \$443 million; and for 1978, the increase would be \$467 million.

If we assume dynamic conditions, where we assume the number of people covered continues to increase and that the premiums continue to increase roughly as they have in the past, then by fiscal year 1978 the increase in Government contribution would be \$766.5 million.

Senator FONG. Considering the escalation of costs?

Mr. RUDDOCK. Yes, sir.

Senator FONG. That would be for 1978?

Mr. RUDDOCK. Yes, sir. That would compare with the \$467 million on a static basis.

Senator FONG. In other words, if we were to just consider it on a static basis, we would almost double the contribution of the Government by 1978?

Mr. RUDDOCK. Yes, sir.

Senator FONG. You stated that no other employer is as generous as the Federal Government in its total fringe benefit package to the Government employees?

Mr. RUDDOCK. Senator Fong, of the employers that we included in this particular study we found only one employer whose total package was better than that of the Government. We started off with 11 employers where we knew that the employer was paying more toward health benefits than the Federal Government. But then when we looked

at retirement, vacation, sick leave, life insurance—when we looked at the total package of fringe benefits we found that we compared very, very favorably with most of them. There was only one, New York State, where the total package was more liberal than that of the Federal Government.

Senator FONG. I noted New York pays their legislators 31½ percent, is that correct?

Mr. RUDDOCK. I don't remember that, but they are very liberal in many respects.

Senator FONG. New York State is the only entity that pays a better fringe benefit than the Federal Government?

Mr. RUDDOCK. Of those we included in this particular study. Senator Burdick pointed out if we compare postal employees with Federal employees who are not postal employees, the postal employees have a package which now is better than that of the Federal Government for its employees generally.

Senator FONG. Because of the negotiations?

Mr. RUDDOCK. Because of the negotiations, yes, sir.

Senator FONG. That was particularly on this one item?

Mr. RUDDOCK. There is also a provision in that contract under which the Postal Service will begin to pay the total life insurance premium. I don't recall all of the details of the contract, but if you look at the total package it is better for postal employees.

Senator FONG. Postal employees have all that the Federal employees have plus whatever has been negotiated?

Mr. RUDDOCK. Yes, sir.

Senator FONG. When you look at the Federal employees, deducting the postal employees and the military, and you have the blue collar and white collar, minus military, a 1-percent increase in salary amounts to how much?

Mr. RUDDOCK. I do not know. I should know, but I don't. I do not know what the total salary breaks into by the different groups.

Senator FONG. Could you get us that figure?

Mr. RUDDOCK. Yes, sir, for the record I will.

[The aforementioned was subsequently supplied for the record:]

A 1 percent across the board salary increase would cost \$450 million.

Senator FONG. I understand 1 percent will run about \$350 million, for all of the employees and military?

Mr. RUDDOCK. I am sure it would. The total payroll, I know, is in that neighborhood, \$35 billion, and that is certainly in the ball park, but I don't know what the precise figures are.

Senator FONG. You say the Government is opposed to this increase of 40 to 55 percent, and the 5 percent increase?

Mr. RUDDOCK. The administration is opposed to any increase in the percentage of the Government's contribution.

Senator FONG. This bill states that it would be 75 percent of the average high-option premium of the six largest plans participating in the Federal employees' health benefits program. How does that differ with the present law?

Mr. RUDDOCK. The present law says that the Government's contribution will be 40 percent—

Senator FONG. No, no. Outside of the numerical figures of 40 and 75. When you talk about the six largest plans participating in the Federal employees' health benefit program as distinguished from the present law where you have the two largest employee organizations, the two Government-wide plans and the two largest comprehensive plans participating. Is that the same?

Mr. RUDDOCK. I don't believe that would make any change. I think the six largest plans happen to break down that way—two Government-wide, two employee-organization sponsored, and two comprehensive.

Senator FONG. So there would be no change?

Mr. RUDDOCK. There would be no change in that part of it.

Senator FONG. You state under present law the bill would extend a ceiling on the Government contribution for any enrollee to 75 percent of the actual subscription charge in contrast to 50 percent under present. Under the present law the employee can choose a lesser plan and the Government would pay 50 percent?

Mr. RUDDOCK. Yes, sir.

Senator FONG. That is if it is below 40 percent?

Mr. RUDDOCK. Yes. Let me follow that through for a second. Take the average of the six largest plans and take 40 percent of that. You have then fixed the dollar amount of contribution and each employee will get that dollar amount except he may not get more than 50 percent of the cost of the plan he has chosen. So as you have indicated, if he chooses a low-cost-option plan, his Government contribution is limited to 50 percent of the cost of that plan. This bill would change it so that he could get up to 75 percent.

Senator FONG. If he chooses the lower plan?

Mr. RUDDOCK. Yes.

Senator FONG. All our calculations and so forth to date, in this hearing, have been based on the high option premium cost?

Mr. RUDDOCK. Yes. That is with the exception of this change to a maximum 75 percent which would apply I think entirely to low option, certainly to less expensive plans.

Senator FONG. Would that increase the cost?

Mr. RUDDOCK. Yes, but the additional cost because of that feature which has been included in the figures I gave you is a very, very small part of it.

Senator FONG. What is your objection to the second part of the bill, to allow pre-1960 retirees now in the retired Federal employees health benefits program to change to the Federal employees health benefits?

Mr. RUDDOCK. When the Federal employees health benefits program was being debated before the Congress in 1959, a decision had to be made as to whether it would apply only to employees then in service or whether it would also be applied to those already retired. It was a deliberate decision of the Congress that the Federal employees health benefits program should apply only to those currently in service and would continue to them after they retired.

Senator FONG. What year was that?

Mr. RUDDOCK. 1959. So the law was passed for active Federal employees but it was recognized at the same time that this left all of

those people already retired and on the annuity rolls who did not have any health benefits protection except as they might have it through private sources.

In 1960 the Congress passed the law which set up a retired Federal employees health benefits program to provide some help for the pre-1960 retirees. In my opinion, that law would not have been enacted if medicare had already been on the books because when medicare came along medicare then provided the hospital coverage and medical coverage to most of the people included in this same group.

The decision, if you will, not to include the pre-1960 retirees in the active program—well, there really is no more compelling reason for it today than there was when the decision was made back in 1959.

It is further our experience, and we have seen this happen over and over again, that these people, as they get up in years, are fearful of the cost of health care; they buy insurance and then another policy becomes available from some source and they buy that. Some of them have three and four and five different insurance policies. They are overinsured, a term you will clearly understand. It is our belief that if this provision is enacted, many of these people out of that fear of health care cost will choose to come over into the active program, will pay the premiums for the very broad coverage, coverage which they don't need because they already have the medicare hospital and medical insurance.

We think many of them would do themselves a disservice by choosing to become even further overinsured.

Senator FONG. I understand what you mean. I am retired from the military. I get insurance from the companies I was connected with and the Government here gives me insurance. Sometimes I am confused as to whether I have three policies giving me the same thing and if I get sick only one policy pays. Is that correct?

Mr. RUDDOCK. That is certainly true of our policy. It is not necessarily true of medicare. Most policies do have an antiduplication of benefits provision.

Senator FONG. Then I bought medicare. I bought that because I was over 65 and it was available. I don't know why I did it because I wouldn't have benefits from it.

Mr. RUDDOCK. You are overinsured. You are in the position of a man who has taken \$100,000 worth of fire insurance on a property valued at \$20,000.

Senator FONG. So if we passed the second provision, we would be putting some of these retired employees in the same position?

Mr. RUDDOCK. That is our belief, that they would choose to come over and pay these premiums for more insurance which in many cases they do not need.

Senator FONG. Because they are already covered.

Mr. RUDDOCK. Eighty percent of them are 65 and over and are covered by medicare.

Senator FONG. Thank you, Mr. Ruddock.

Mr. RUDDOCK. Thank you.

Senator BURDICK. I have one more question.

With the spiraling cost of premiums that result in additional cost to both employees and Government, what can you do about some cost control features?

Mr. RUDDOCK. I guess about the only thing we can do is what we are doing, which is continuing to urge the 40 carriers with whom we have contracts to be very careful in their claims review, to be alert to unnecessary care or overutilization.

There is nothing I am aware of that we can do to control the cost of health care in the hospital. Increases come about because of factors certainly outside of our jurisdiction or control. There is nothing we can do that I am aware of in the area of charges made by a physician. I think you have put your finger on basically what is a problem for the Nation as a whole, and that is the spiraling cost of health care. Once we as a nation bring that fully under control, then this spiral in the premiums under this and other health insurance programs will slow down or stop. But the premiums are strictly related to the increased costs and increased utilization.

Senator BURDICK. In other words, there is nothing you can do.

Mr. RUDDOCK. If there were something positive and tangible that I could do about it I would have done it a long time ago.

Senator BURDICK. Do you think there is something that the legislative branch could do?

Mr. RUDDOCK. I wouldn't know what to suggest you do because I don't think really at this point anyone has found the solution to that problem.

Senator BURDICK. Are there any further questions?

If not, thank you very much.

Mr. RUDDOCK. Thank you.

Senator BURDICK. Our next witness is Mr. Clyde Webber, president, the American Federation of Government Employees. I see he is represented well this morning.

STATEMENT OF CARL K. SADLER, LEGISLATIVE DIRECTOR, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES (AFL-CIO), ACCOMPANIED BY JAMES LYNCH, ASSISTANT LEGISLATIVE REPRESENTATIVE AND LEONARD M. BROCKMAN, ASSISTANT DIRECTOR OF RESEARCH

Mr. SADLER. First let me say that Mr. Webber could not be here this morning as the hearing was called rather suddenly and he couldn't adjust his schedule.

Senator BURDICK. I would suggest if you could to summarize your statement. We are trying to complete these hearings before noon. All statements will be made part of the record in full.

Mr. SADLER. Let me introduce my colleagues. On my right is the legislative assistant, James Lynch, and on my left Mr. Leonard Brockman.

I am grateful to you, Senator Burdick, for this opportunity to appear here today and endorse the bill, H.R. 9256, which forms the substance of these hearings.

The most important feature of H.R. 9256 is its modification of the sharing formula between Federal employer and Federal employee for health insurance premiums. This bill would increase employer health benefit premiums from 40 to 55 percent in 1973; to 60 percent commencing in 1974; 65 percent commencing in 1975; 70 percent in 1976, and 75 percent commencing in 1977 and each year thereafter.

This is not even as much as the President himself, in a February 18, 1971, message to Congress advocated for private industry. He proposed that private industry pay a minimum of 65 percent of employee health insurance basic programs starting July 1, 1973, and increase this to 75 percent in 1976. We would hope that the President, as the head of the executive branch, would support the same standard for Federal employees.

It is, of course, also below the formula for the proportionate sharing of health benefit premiums recently incorporated in the agreement between the Postal Service and the unions representing Postal Service employees.

Under that agreement, effective in July 1973, the Postal Service increased to 55 percent its share of health insurance premium payments. This percentage will then rise to 65 percent in July 1974. In addition, the entire cost of life insurance coverage will shift to the Postal Service in July 1974.

We believe that Federal employees should receive treatment equal to that given postal employees. Therefore, we hope that the committee will amend this bill accordingly—scheduling the commencement of the increase in the employer's share of health benefit premiums to 65 percent in 1974. We urge the committee also to incorporate language which would raise the ultimate employer contribution, in the not too far distant future, to 100 percent.

We would also like to see the committee take action to give Federal employees comparability with postal employees with regard to a 100-percent employer-paid life insurance program.

I would like also to urge that the committee enact a very minor amendment to the bill which would provide that anyone who has never been a part of a plan be allowed to become a part of the plan under any status he desires at any time. Let me offer an example: A person comes into the Federal service with GS-2 pay and he sometimes feels he can't afford, at that rate of pay, to come under the plan. We know he probably can't afford not to, but at that rate of pay there isn't much left for health benefits.

Later on, even though his status doesn't change, he is told because he didn't opt to take this immediately he has to wait for an open season. Maybe he wants to come under the plan.

Another example would be a person who comes in the Federal service under his parent's plan. He decides not to take it and stays under his parent's plan. He later gets married, for instance. As we both know, when you first get married you are not always aware of all of the requirements around you. You don't opt to take it within the 60 days and all of a sudden you find out you need health benefits. But you are not allowed under the present system to take health benefits unless it is open season if you go beyond that 60 days.

So, I hope we can make an adjustment in that to provide that anyone who has not at any time been a member of any plan could opt to take it at any time he chooses.

Then, of course, he would be governed by the regulations provided.

THE PROBLEM OF HEALTH INSURANCE COSTS

Today, as we are all aware, it is not unusual for a serious or extended illness to result in financial catastrophe. Without substantial health insurance coverage it is well within the realm of reality that a Federal employee could find himself in severe financial straits even to the point of bankruptcy because of medical bills. The mental and financial strains can be so great as to affect an employee's morale on the job because of the impact on the individual's total security. I don't think it is at all far-fetched to state that health insurance has become one of the necessities of modern civilized life.

As such, it should be made as widely available as possible to Federal employees. So far as plans presently in effect go, the general Federal employee health benefit program seems to us to be the fairest and most practical mechanism readily at hand. However, it is today seriously inadequate.

We feel that the Federal Government, as the Nation's largest employer, should be among the forerunners in providing increased accessibility in proportion to increased need. This is not the case. Already in the private sector many employers are paying 75 percent and some even 100 percent of their employees' health benefit premiums.

Compared to this, the Government's contribution to the FEHB of 40 percent is paltry and offers little in the way of comparability with private industry.

As proof of this situation, I request your permission, Mr. Chairman, to insert into the record, as annex I, the provisions of six major private enterprise health benefit plans covering the following companies: Aluminum Company of America; Detroit Edison Co.; General Motors Corp.; International Business Machines Corp.; Penn Central Co.; and Radio Corporation of America. This excerpt was extracted from Bulletin No. 1929, entitled "Digest of 50 Health and Insurance Plans for Salaried Employees, Early 1969."

I request your further indulgence to permit me to insert into the record, as annex II to my statement, a selected list of other major American enterprises which provide these benefits at no cost to their employees. The fact that more than 60 major enterprises, covering, in some cases, entire industries, are included, shows that by 1970 it had become the normal practice for major-scale American industry to pay 100 percent of the health benefit insurance contributions of their employees.

H.R. 9256 is a step toward alleviating the inferior position of the Federal employee in respect to health insurance. However, we would like to see, as the ultimate ideal, the Federal Government joining the ranks of the more enlightened employers found in private industry and pay 100 percent of the premiums.

It is not unreasonable either from the standpoint of enlightened Federal personnel policy or from the standpoint of budgetary costs.

Even under present methods of funding, these budgetary costs would, in fact, be less than the actual apparent costs when one realizes that good health insurance will reduce absenteeism due to illness and result in greater productivity of Federal employees on the job.

As to total fundings costs of the present method of obtaining this insurance, according to information supplied by the Office of the Actuary, in the Bureau of Retirement, Insurance, and Occupation Health of the Civil Service Commission, the total receipts of the fund in 1971 amounted to approximately \$1.2 billion at an annual rate. Therefore, each 1 percent of payment amounts to \$12 million. Of this amount, the Government's share which is 40 percent, is \$480 million a year and the employee's share which is 60 percent is \$720 million.

An increase in the Government's share from 40 to 55 percent would, therefore, cost an additional \$180 million annually to the United States Treasury. This would be the additional budgetary appropriation necessary to cover the percentage increase in H.R. 9256.

As further increments were made along the lines of the Postal Agreement, the additional cost would be about \$50 million over the preceding year.

We believe that this additional cost is not inequitable and improper and that the formula set forth is in step with President Nixon's message to Congress with regard to health insurance coverage for employees. These figures assume current premiums, benefits and enrollments.

With respect to section 2(a) of H.R. 9256, we note that this would enable annuitants retired prior to 1960 to choose coverage under the Federal employees health benefits program in lieu of coverage under the Retired Federal Employees Health Benefits Act. Pending further statistical analysis, we are not sure of the implications of this provision, because many of these annuitants have become deceased.

Although at first sight it might not appear relevant, we believe it might be of some interest to your subcommittee in this connection to review the interrelationship between Federal employee health premium payments and the payments to the Federal Employee Retirement Fund.

The present annual income of the Civil Service Retirement Fund is predicated on contributions of 14 percent of current payroll, half paid by the employer and half by the employee. The Civil Service Commission concedes there is a gap of 9 percent between the annual income of the fund and the future contingent liabilities on behalf of current employees. This means that the fund is receiving annually almost \$340 million in excess payments for which no retirement benefits will be furnished employees.

For the purposes of information to the subcommittee of the actual cash receipts and disbursements of the Retirement Fund, we should like to introduce as appendix III that standing of the fund, as of May 30, 1973.

As appendix IV, we should like to introduce a table showing the number of employee annuitants and survivor annuitants, as of June 30, 1972.

We welcome the inclusion of section 3, the purpose of which is to grant the Civil Service Commission effective authority to overrule the carriers on individual cases of claim denials when the Commission finds that the claim is payable under its interpretation of the contract provisions.

Under the present situation, for the two Government-wide plans, which enroll most of the Federal employees, the Commission's power is limited to asking the carrier to conduct the further review but the Commission does not have the authority to overrule the carrier on borderline cases involving policy interpretation.

We believe such a power should reside in a Government authority, that is, the Civil Service Commission, and not be left to the judgment of the carrier which is obviously acting in a matter affecting its own self-interest.

We would like to see the subcommittee restore to H.R. 9256 a section which was contained in H.R. 3025, the original bill from which H.R. 9256 resulted. This section provided for coverage of unmarried children who were full-time students or who are incapable of self-support because of mental or physical disability which existed before age 22. It is in the public interest that dependents, irrespective of chronological age, who are genuinely incapable of self-support or who are enrolled in full-time education be able to obtain the same kind of health benefits as any other dependent of a Federal employee.

In summary, I would like to endorse H.R. 9256, with special emphasis on the reforms included in the first three sections.

As I stated earlier, we hope that the committee will amend the bill to bring it into line with the provisions of the postal employees' agreement regarding health benefits premiums. We certainly endorse establishing the right of the Civil Service Commission to make the final decision in individual cases of claim denial when the Commission finds that its own interpretation of the contract provisions indicates the claim should be paid.

We would like to see H.R. 9256 amended to permit a family health benefits enrollment to cover full-time students, regardless of age, and children who are incapable of self-support because of mental or physical disability which existed before age 22.

We appreciate the opportunity to submit our comments and assure your subcommittee that we will cooperate in every way with you to assure passage of this bill.

Senator BURDICK. You support the bill with the amendment you propose?

Mr. SADLER. Yes, sir.

[Attachments to prepared statement follow:]

ANNEX I

SIX SELECTED HEALTH AND INSURANCE PLANS FOR PRIVATE ENTERPRISE
EMPLOYEES

Aluminum Company of America, The Detroit Edison Co., General Motors Corp., International Business Machine Corp., Penn Central Co., and Radio Corporation of America.

These Plans were extracted from the following publication :
Bulletin No. 1629, U.S. Department of Labor, Bureau of Labor Statistics, November 1968,
entitled "Digest of 50 Health and Insurance Plans for Salaried Employees, early 1969".

ALUMINUM CO. OF AMERICA

Eligibility (when new employee becomes eligible)	Schedule of benefits				Accident and sickness		Sick leave		
	Basis of graduation	Life insurance	Optional life insurance	Accidental death and dismemberment	Accident and sickness	Maximum duration	When benefits begin	Days of benefit per year at—	
								Years of service	Half pay	Full pay (weeks)
Optional life insurance	Flat	\$5,500				26 weeks	When paid sick leave ceases.		
After 90 days of employment.	Annual salary								
Long-term disability benefit.	Less than \$2,000		\$2,000	\$2,000		(1)	0 to 1/4		2
After 3 years of employment.	\$2,000 to \$3,000		3,000	3,000			1/4 to 1		4
Other benefits: Immediately or 1st of following month.	\$3,000 to \$4,000		4,000	4,000			1 to 3		6
	\$4,000 to \$5,000		6,000	6,000			3 to 5		8
	\$5,000 to \$6,000		8,000	8,000			5 to 7		11
	\$6,000 to \$7,000		10,000	10,000			7 to 10		13
	\$7,000 to \$8,000		13,000	13,000			10 to 15		17
	\$8,000 to \$9,000		16,000	16,000			15 to 25		21
	\$9,000 to \$10,000		20,000	20,000			25 and over		26
	\$10,000 to \$12,000		35,000	30,000					(2)
	\$12,000 to \$15,000		50,000	40,000					
	\$15,000 to \$20,000		65,000	50,000					
	\$20,000 to \$25,000		85,000	60,000					
	\$25,000 to \$30,000		105,000	70,000					
	\$30,000 to \$35,000		125,000	80,000					
	\$35,000 to \$40,000		140,000	80,000					
	\$40,000 to \$50,000		155,000	80,000					
	\$50,000 to \$60,000		170,000	80,000					
	\$60,000 to \$70,000		185,000	80,000					
	\$70,000 and over		200,000	80,000					

(1)			
Weekly salary			
Up to \$107.30		(2)	
Over \$107.30 to \$114.25		\$66	
Over \$114.25 to \$122.30		\$69	
Over \$122.30 to \$129.25		\$72	
Over \$129.25 to \$138.45		\$74	
Over \$138.45 to \$145.40		\$76	
Over \$145.40 to \$153.45		\$78	
Over \$153.45 to \$160.40		\$80	
Over \$160.40 to \$169.60		\$82	
Over \$169.60		(3) (4)	
Long-term disability			
Service			
Under 15 yr.		50 percent of monthly salary	
15 yr and over		50 percent of monthly salary plus additional 1 percent for each year of service over 15 yr.	
		To age 65	After 6 mo.
		Salary	Insurance
		\$20,000 to \$35,000	\$50,000
		\$35,000 to \$40,000	65,000
		\$40,000 to \$50,000	80,000
		\$50,000 to \$60,000	
		\$60,000 to \$70,000	
		\$70,000 and over	
		Salary	Insurance
		\$20,000 to \$35,000	\$5,000
		\$35,000 to \$40,000	20,000
		\$40,000 to \$50,000	35,000

1 For employees earning \$20,000 annually or more the optional insurance amount includes the following supplemental insurance which cancels at age 65:

See footnotes at end of table.

ALUMINUM CO. OF AMERICA—Continued

Health benefits for active employees under age 65 and dependents under age 65										
Hospital benefits				Surgical and medical excluding major medical						
Daily benefit or service and duration	Extended coverage	Ancillary services	Maternity benefits	Emergency outpatient care or service	Income limits for service benefits	Surgical procedure allowances	Medical allowance		When benefits begin	Other benefits
							Allowance and maximum benefit	Number of visits or days paid for		
Semiprivate room.....		Full cost of specified services.	Regular benefits...	Required services provided.		Reasonable and customary charges.				Anesthesia allowance: Reasonable and customary charge.
Employee with under 10 yr of service, 365 days.										Radiation therapy allowance: In or out of hospital, \$7.50 per treatment—up to maximum schedule allowance for each disability.
Employee with 10 yr of service or over, 730 days. ^a										Diagnostic X-ray allowance: \$75 during any 12-month period. Diagnostic examinations: Electroencephalogram, \$25; electrocardiogram, \$15; basal metabolism, \$10.

Health benefits for active employees under age 65 and dependents under age 65—Continued										Health benefits for active employees age 65 and over and dependents age 65 and over
Major medical										
Daily benefit or service and duration	Deductible amount	Accumulation period and its application	Benefit period		Coinsurance	Maximum benefit	Reinstatement	In-hospital care	Care in extended care facility	Home health care
			From start of disability	From incurrence of expenses in excess of deductible						
Semiprivate room.....	\$100	Calendar year, all disabilities.		Calendar year, all disabilities.	80 percent.....	\$10,000 a calendar year; \$20,000 during lifetime.	Upon evidence of insurability.	Same as for active employees under age 65 but reduced by Medicare benefits.		
Employee with under 10 yrs. of service, 365 days.										
Employee with 10 yrs. of service or over, 730 days. ^a										

See footnotes at end of table.

ALUMINUM CO. OF AMERICA—Continued

Benefits for retirees age 65 and over and their dependents age 65 and over				Financing		Employer pays Part B Medicare premium for—	
				Employee pays monthly towards private plan benefits ¹		Active employee	Retiree
Life insurance	In-hospital care	Care in extended care facility	Home health care	Medical and other health care	Active employee	Retiree	Retiree
Basic insurance: Pre-retirement amount reduced to \$3,500 and further reduced \$300 annually; minimum, \$2,000 at age 70. Optional insurance: Pre-retirement amount, excluding supplemental amount, reduced to 25 percent of that amount. (Optional supplemental amount discontinued.)	1st \$44 of expenses during 1st 60 days of confinement; \$11 daily during 61st to 90th day; for additional 30 days, full cost of semiprivate room, board, and ancillary services.	-----	-----	20 percent of reasonable and customary charges for surgery and certain physicians' in-hospital services.	Optional life insurance: \$0.60 per \$1,000. Accidental death and dismemberment: \$0.10 per \$1,000. Other benefits: None (company pays full cost).	Optional life insurance: \$0.60 per \$1,000. Other benefits: None (company pays full cost).	Optional life insurance: \$0.60 per \$1,000. Other benefits: None (company pays full cost).

¹ Including supplemental insurance for employees earning \$20,000 annually or more.

² 65 percent of weekly base salary minimum, \$53; maximum, \$63.

³ 50 percent of base weekly salary, maximum, \$200.

⁴ Applicable only to employees in New York and New Jersey. The benefit for an occupational disability is the difference between worker's compensation benefit and the above amounts. Maternity benefit payments limited to 6 weeks. For women with 2 yrs. of service and over, the weekly benefit for a maternity disability is 70 percent of base salary.

⁵ Employee collecting accident and sickness benefits receives difference between full pay, if collecting sick leave pay, and the accident and sickness benefit payment.

⁶ Not applicable to confinements for mental or nervous disorders, and pulmonary tuberculosis.

Note: Unless otherwise indicated employer pays balance of cost.

See footnote at end of table.

THE DETROIT EOLSON CO.—Continued

Health benefits for active employees under age 65 and dependents under age 65									
Hospital benefits					Surgical and medical excluding major medical				
Daily benefit or service and duration	Extended coverage	Ancillary services	Maternity benefits	Emergency outpatient, care or service	Income limits for service benefits	Surgical procedure allowances	Medical allowance		
							Allowance and maximum benefit	Number of visits or days paid for	When benefits begin
Semiprivate room, 365 days	Full cost		Regular benefits	\$20		Most expensive, \$450. Appendectomy, \$180. Normal delivery, \$175.	Hospital only: \$5 a day, maximum, \$1,825.	365 days	1st day
<p>Anesthesia allowance: For nonhospitalized cases except when used as part of treatment for accidental bodily injury, up to \$10 for each use.</p> <p>Operating room allowance: For nonhospitalized cases except when used as part of treatment for accidental bodily injury, up to \$10 for each use.</p> <p>Diagnostic X-ray allowance: For diagnosis in connection with any 1 disability in 365-day period, up to \$20.</p> <p>Laboratory diagnosis allowance: For any 1 disability in 365-day period, up to \$20.</p> <p>Radiological therapy allowance: Up to \$10 per treatment of malignancy (maximum, \$100 for any 1 disability in 365-day period).</p> <p>Attendance allowance: Up to \$20 per trip.</p>									

¹ Employee may carry over into current year unused leave from previous 2 yrs; total maximum days of leave during any 1 yr. is 40.

² Also payable for emergency treatment in clinic or doctor's office.

³ Employees covered by California State temporary disability law (see BLS Bulletin 1502, 1966; op. cit.).

⁴ Sick leave is reduced by State temporary disability and workmen's compensation benefits.

⁵ Less \$12 a day payable under California State temporary disability law (see BLS Bulletin 1502, 1966; op. cit.).

⁶ Amount determined by a relative value scale at a \$6.25 factor. \$6.50 effective August 1969 and \$7 effective August 1970.

THE DETROIT EDISON CO.—Continued

Health benefits for active employees under age 65 and dependents under age 65—Continued										Health benefits for active employees age 65 and over and dependents age 65 and over																			
Major medical																													
Benefit period																													
Daily benefit or service and duration		Deductible amount		Accumulation period and its application		From start of disability		From incurrence of expenses in excess of deductible		Coinsurance		Maximum benefit		Reinstatement		In-hospital care		Care in extended care facility		Home health care		Medical and other health care							
Semiprivate room 365 days.....		\$100.....		Calendar year; all disabilities.		Calendar year; all disabilities.		Calendar year; all disabilities.		80 percent.....		\$10,000 for each disability. Dependents only: \$24,000 during lifetime.		Dependents: After use of \$1,000 expenses; upon evidence of insurability.		Dependents only ²		Same as for active employees under age 65 but reduced by Medicare benefits.											
Benefits for retirees age 65 and over and their dependents age 65 and over										Financing																			
Life insurance		In-hospital care		Care in extended care facility		Home health care		Medical and other health care		Employee pays monthly towards private plan benefits ¹																			
										Active employee		Retiree		Active employee		Retiree		Employee pays Part B Medicare premium for—		Active employee		Retiree							
Preretirement amount reduced 45 percent and further reduced 5 percent annually to 25 percent of original amount; minimum, \$2,500.										None (company pays full cost). ³										None (company pays full cost).									
										X-retiree only.																			

¹ Unless otherwise indicated employer pays balance of cost.

² Active employees retire at age 65.

³ Employee pays \$1.05 monthly for each of the following dependents: Under age 65 parent, brother, sister, unmarried child over age 23, or married child.

⁴ All charges except those for hospital, surgical radiostone treatment for proven malignancies, in-hospital medical treatment, radiological procedures, X-ray, and laboratory and pathology tests.

⁵ 1st 5 visits, 100 percent of schedule allowance; 6th-10th visit, 85 percent; 11th-15th visit, 70 percent; thereafter, 55 percent.

GENERAL MOTORS CORP.—Continued

Health benefits for active employees under age 65 and dependents under age 65—continued

Health benefits for active employees age 65 and over and dependents age 65 and over

Daily benefit or service and duration	Deductible amount	Accumulation period and its application	Benefit period			Maximum benefit	Reinstatement	In-hospital care	Care in extended care facility	Home health care	Medical and other health care
			From start of disability	From incurrence of expenses in excess of deductible	Coinsurance						
Semiprivate room, 365 days ¹	Annual salary: Less than \$12,000—\$1,000 \$12,000 to \$18,000—\$1,500 \$18,000 to \$24,000—\$200 \$24,000 to \$30,000—\$250 \$30,000 and over \$300.	12 mo.; all disabilities.	12 mo.; all disabilities.	From incurrence of expenses in excess of deductible	80 percent (2)	\$25,000 during each benefit period; unlimited during lifetime of employee; \$30,000 during lifetime of dependent.	Upon evidence of insurability.	Same as for active employees under age 65 but reduced by Medicare benefits.			

¹ Also survivor's benefit: \$150 a month payable to surviving eligible spouse who is age 50 or older but less than 62 at time of employee's death until the earlier of death, remarriage, or age 62. Benefits not payable for any month widow can qualify for mother's insurance under social security.

² Also, an additional \$12,000 if accident occurs while on company business.

³ Also, occupational cases. Accident and sickness benefit provided for employees with monthly salaries of less than \$1,000. Employees earning \$1,000 and over a month covered by an informal salary continuation program. Employees employed in California, New Jersey, New York, or Rhode Island covered by State temporary disability law (see BLS 1502, 1966; op. cit.). Occupational benefit is the difference between workmen's compensation benefit and the above amounts.

⁴ Maternity benefit payments limited to 1½ mo.

⁵ For employees with monthly salaries of less than \$1,000. Employees earning \$1,000 and over a month covered by an informal salary continuation program. Sick leave pay reduced by any statutory sickness or accident benefits the employee receives.

⁶ Michigan Hospital Service and Michigan Medical Service (Blue Cross and Blue Shield plans). Employees in other areas covered by plans providing coverage as nearly equal as practicable to coverage provided for employees in Michigan.

⁷ Also 730 days (reduced 2 days for each day in hospital) of convalescence and long-term illness care other than tuberculosis care, in approved facilities.

⁸ Excludes psychiatric medical services.

⁹ Not provided for maternity disabilities.

Benefits for retirees age 65 and over and their dependents age 65 and over				Financing	
Life insurance	In-hospital care	Care in extended care facility	Home health care	Employee pays monthly towards private plan benefits ¹	
				Active employee	Retiree
<p>Pre-retirement amount reduced 2</p> <p>Percent monthly until (1) for employees with 10 years or more coverage, amount equals 1.5 percent of preretirement amount</p> <p>Times amount maximum, multiplied by years of coverage (maximum, 20 years).</p>	<p>Same as for active employees age 65 and over.</p>			<p>Active employee</p> <p>Retiree</p>	<p>Employee pays Part B Medicare premium for—</p>
<p>Life insurance</p>			<p>Medical and other health care</p>	<p>Active employee</p> <p>Retiree</p>	<p>Employee pays monthly towards private plan benefits¹</p>
<p>Pre-retirement amount reduced 2</p> <p>Percent monthly until (1) for employees with 10 years or more coverage, amount equals 1.5 percent of preretirement amount</p> <p>Times amount maximum, multiplied by years of coverage (maximum, 20 years).</p>	<p>Same as for active employees age 65 and over.</p>			<p>Active employee</p> <p>Retiree</p>	<p>Employee pays Part B Medicare premium for—</p>
<p>Life insurance</p>			<p>Medical and other health care</p>	<p>Active employee</p> <p>Retiree</p>	<p>Employee pays monthly towards private plan benefits¹</p>

Unless otherwise indicated employer pays balance of cost.

² Covered expenses for medical treatment and hospital care in institutions operated primarily for nervous and mental disorders—\$5 a day less any payment under basic hospital benefit.

INTERNATIONAL BUSINESS MACHINES CORP.

Schedule of benefits				Accident and sickness		Sick leave			
Eligibility (When new employee becomes eligible)	Basis of graduation	Life insurance	Optional life insurance	Accidental death and dismemberment	Accident and sickness	Maximum duration	When benefits begin	Days of benefit per year at—	
								Half pay	Full pay (weeks)
Immediately or 1st of following month.	Service			5 times annual salary; mini-mum, \$50,000. (7).				Under 10	26
	Under 1 year	\$1,000						10 and over.	130
	1 to 2 years	\$3,000							(5).
	2 to 3 years	\$6,000							
	3 to 4 years	\$9,000							
	4 to 5 years	\$12,000							
	5 to 6 years	\$15,000							
	And up in increments of—								
	1 year to 10 to 11 years	\$1,000 to \$20,000.							
	And up in increments of—								
	1 year to 25 years and over.	\$333.33 to \$25,000.							
Health benefits for active employees under age 65 and dependents under age 65									
Hospital benefits				Surgical and medical excluding major medical					
Daily benefit or service and duration	Extended coverage	Ancillary services	Maternity benefits	Emergency outpatient care or service	Income limits for service benefits	Medical allowance			
						Allowance and maximum benefit	Number of visits or days paid for	When benefits begin	Other benefits
Semi-private room. 365 days in any 36 consecutive months.	Full cost	Regular benefits	Required services.						
				Most expensive \$500.	Appendectomy \$200.	Normal delivery \$175.			

¹ In addition, employee's spouse or dependents receive the greater of (1) \$3,000, (2) 6 months of employee's regular compensation, or (3) the amount which when added to life insurance will provide a total benefit (including life insurance) equal to twice the employee's regular compensation (maximum, \$100,000) payable monthly at rate of 1/4 of employee's monthly compensation.

² Payable only if death or dismemberment results from accident which occurs while traveling on company business.

³ Additional weekly payments may be made on an individual basis.

⁴ For occupational disabilities company pays difference between workmen's compensation benefit and pay.

INTERNATIONAL BUSINESS MACHINES CORP.—Continued

Health benefits for active employees under age 65 and dependents under age 65—Continued				Health benefits for active employees age 65 and over and dependents age 65 and over			
Major medical							
Daily benefit of service and duration	Deductible amount	Accumulation period and its application	Benefit period		Maximum benefit	Reinstatement	Medical and other health care
			From start of disability	From incurrence of expenses in excess of deductible			
Semi-private room, 365 days in any 36 consecutive months.	Individual, \$200; family, \$400.	Calendar year, 3-month carryover; all disabilities.		Calendar year; all disabilities.	\$15,000 during lifetime.	After use of \$1,000 expenses; upon evidence of insurability.	Dependents only ² Same as for retired employee age 65 and over but reduced by Medicare benefits
Benefits for retirees age 65 and over and their dependents age 65 and over				Financing			
Life insurance	In-hospital care		Care in extended care facility	Home health care	Medical and other health care	Employee pays Part B Medicare premium for—	
						Employee pays monthly towards private plan benefits ¹	Active employee Retiree
\$500 plus \$50 times years of service.	Same as for active employees under age 65 but reduced by Medicare benefits except maximum payable under basic plan to surgeon is \$100 and the major medical deductible is \$50 a year.					Active employee None (company pays full cost). Retiree None (company pays full cost).	X- dependent only. ² X

¹ Unless otherwise indicated employer pays balance of cost.

² Employees must retire at age 65.

PENN CENTRAL CO.

Eligibility (when new employee becomes eligible)	Schedule of benefits				Accident and sickness		Sick leave	
	Basis of graduation	Life insurance	Optional life insurance	Accidental death and dismemberment	Maximum duration	When benefits begin	Years of service	Days of benefit per year at—
								Full pay (weeks)
Immediately or 1st of following month.	Annual salary: Under \$7,200 After 1 yr. After 2 yr.	Annual salary. 2 times annual salary.	(9)	(9)	(9)	(9)	(9)	(9)
	\$7,200 and over	2 times annual salary.						
	At age 65: Amount reduced 10 percent and 10 percent annually to 50 percent of pre-1965 amount.							

See footnotes at end of table.

PENN CENTRAL CO.—Continued

Health benefits for active employees under age 65 and dependents under age 65									
Hospital benefits					Surgical and medical excluding major medical				
Daily benefit or service and duration	Extended coverage	Ancillary services	Maternity benefits	Emergency out-patient care or service	Income limits for service benefits	Surgical procedure allowances	Allowance and maximum benefit	Number of visits or days paid for	When benefits begin
Semiprivate room. 120 days			\$300	\$150	\$300	Most expensive, \$300. Appendectomy, \$150. Normal delivery, \$90.			
					Employees				
					Hospital: 1st day, \$15; 2d day, \$10; 3d-11th day, \$4 a day; thereafter, \$3 a day. Home: \$5 a visit. Office: \$4 a visit. Maximum, \$388.				
					In-hospital 120 days. Home and office: 4th visit.				
					Dependents				
					Hospital only: 120 days--- 1st day----				
					Same as employee; maximum, \$388.				

¹ Formerly Pennsylvania Railroad Co.; applicable to all salaried employees of company.
² Employees receive sick leave benefits of Railroad Unemployment Insurance Act (see BLS Bulletin 1502, 1966; op. cit.).

¹ Occupational cases only.
² Reduced by 50 percent of social security benefit and by 100 percent of other statutory payments and company payments.
³ Accumulated at the rate of 10 days per year. Unused leave accumulative to a maximum of 80 days. Under specified conditions an additional 20 days is granted upon exhaustion of accumulated and current leave.

PENN CENTRAL CO.—Continued

Health benefits for active employees under age 65 and dependents under age 65—continued										Health benefits for active employees age 65 and over and dependents age 65 and over							
Major medical																	
Benefit period																	
Daily benefit of service and duration	Deductible amount	Accumulation period and its application	From start of disability				From incurrence at expenses in excess of deductible				Maximum benefit	Reinstatement	In-hospital care	Care in extended care facility	Home health care	Medical and other health care	
Semiprivate room. 120 days.....	Annual salary: Under \$7,200—\$100, \$7,200 to \$10,000—\$200, \$10,000 and over \$250.	6 consecutive months; each disability.	.....	3 yr; each disability	75 percent.....	\$10,000 for each disability.	Upon evidence of insurability.	Same as active employees under age 65 but reduced by Medicare benefits.								
Benefits for retirees age 65 and over and their dependents age 65 and over														Financing			
	Care in extended care facility	Home health care	Medical and other health care	Employee pays monthly towards private plan benefits ¹										Employer pays Part B Medicare premium for—			
Life insurance	In-hospital care	Retiree	Active employee	Retiree	Active employee	Retiree	Active employee	Retiree	Active employee	Retiree	Active employee	Retiree	Active employee	Retiree	Active employee	Retiree	
Same as for active employees at age 65.	Same as for active employees over age 65.	None (company pays full cost).	Life insurance: None (company pays full cost).	Other benefits: Full cost.													
¹ Unless otherwise indicated employer pays balance of cost.														² Expenses due to nervous and mental disorders, except hospital charges, not covered.			

RADIO CORP. OF AMERICA—Continued

Health benefits for active employees under age 65 and dependents under age 65				
Hospital benefits			Surgical and medical excluding major medical	
Daily benefit or service and duration	Extended coverage	Ancillary services	Maternity benefits	Emergency outpatient care or service
Income limits for service benefits			Medical allowance	
			Allowance and maximum benefit for	Number of visits or days paid for
			Surgical procedure allowances	When benefits begin
			Other benefits	
Semiprivate room: ²	(4)	(5)	(6)	(7)
\$25, 365 days		\$300	Most expensive, \$600. Appendectomy, \$160. Normal delivery: ³ Most expensive, \$300. Appendectomy, \$200. Normal delivery, \$158.	365 days — 1st day — Hospital only: \$5 a day; maximum, \$1,825.
Anesthesia allowance: In or out of hospital, only if surgeon makes a separate charge for anesthesia, \$25. Nonemergency accident and sickness allowance: In outpatient department of hospital, \$75 per disability. Nonoccupational accident and laboratory examination allowance: Tests performed outside of hospital, \$50 per accident.				
Employee only ^a				
\$2, 20 days				

¹ Upon expiration of full pay portion of paid sick leave, employees with under 5 yrs of service receive $\frac{2}{3}$ of pay through the 26th week of disability; those with over 5 yrs, $\frac{1}{2}$ of pay through the 52d week of disability. Payments are on a disability basis except payments for employees age 65 and over with under 5 yrs of service are limited to 26 weeks during any 12 consecutive months.

² Full cost of semiprivate room, board, and ancillary services up to \$500, and 80 percent of excess.

³ Lump-sum benefit of \$250 for hospital and surgical expenses.

⁴ Certain employee groups earnings over \$15,600 have additional life insurance based on a similar schedule.

⁵ Provided in addition to above insurance.

⁶ Not provided for maternity disabilities.

Benefits after age 65:

Age when disability began	Monthly benefit as percent of salary
Under 40	37.5
40 to 45	30.0
45 to 50	22.5
50 to 55	15.0
55 and over	7.5

Maximum benefit: Difference between social security benefit, workmen's compensation benefit and cash payments from life insurance and 70 percent of base salary.
^a Provided in addition to basic benefit and payable only if confined to the hospital for at least 8 days and receiving accident and sickness benefit.

RADIO CORP. OF AMERICA—Continued

RADIO CORP. OF AMERICA									
Health benefits for active employees under age 65 and dependents under age 65—Continued									
Major medical									
Daily benefit of service and duration	Deductible amount	Accumulation period and its application	Benefit period			Reinstatement	In-hospital care	Home health care	Medical and other health care
			From start of disability	From incurrence of expenses in excess of deductible	Maximum benefit				
Semiprivate room ²	Annual salary: Under \$10,000, \$150; \$10,000 and over \$200.	6 consecutive months; per disability.	2 yr per disability.	75 percent.	\$100,000 for each disability.	After use of \$1,000 expenses; upon evidence of insurability.			Same as for active employees under age 65 but reduced by Medicare benefits.
				Exception: Out-hospital psychiatric care, 50 percent.	Exception: Out-hospital psychiatric care, maximum, \$20 a visit; 50 visits.				

RADIO CORP. OF AMERICA—Continued

Benefits for retirees age 65 and over and their dependents age 65 and over							
				Financing			
Life insurance	In-hospital care	Care in extended care facility	Home health care	Medical and other health care	Employee pays monthly towards private plan benefits ¹		Employee pays Part B Medicare premium for—
					Active employee	Retiree	
With 10 yr. of service or more. 40 percent of pre-retirement amount; with 5 to 10 yr. of service, 20 percent.	1st \$40 of charges during 1st 60 days of confinement plus \$5 daily during 61st–90th day; \$10 thereafter, \$30 a day; maximum for retiree and dependent combined, \$3,000.				Active employee	Retiree	Active employee
					None (company pays full cost).		None (company pays full cost).
				Annual salary	Amount		
				\$9,000 to \$12,000	87.50		
				\$12,000 to \$15,000	100.00		
				\$15,000 to \$20,000	125.00		
				\$20,000 to \$30,000	150.00		
				\$30,000 to \$40,000	200.00		
				\$40,000 and over	250.00		
				³ Employee must retire at age 65.			
¹ Unless otherwise indicated employer pays balance of cost							
² Deductible, applicable to all expenses except hospital and scheduled surgical allowances, varies according to earnings, as follows:							
Annual salary				Amount			
Under \$4,000				\$4,000 to \$5,000			
\$4,000 to \$5,000				62.50			
\$6,000 to \$9,000				75.00			

¹ Unless otherwise indicated employer pays balance of cost.² Deductible, applicable to all expenses except hospital and scheduled surgical allowances, varies according to earnings, as follows:

Annual salary	Amount
Under \$4,000	\$50.00
\$4,000 to \$6,000	62.50
\$6,000 to \$9,000	75.00

ANNEX II

The Firestone Tire and Rubber Co.—Rubber workers.
Aluminum Company of America—Aluminum workers; steelworkers.
Chase Brass and Copper Co., Inc.—Automobile Workers.
United States Steel Corp.—Steelworkers.
Weirton Steel Co.—Independent Steelworkers Union.
Massachusetts Leather Manufacturers' Association—Leather workers; meat cutters.
Minnesota Mining and Manufacturing Co.—Oil chemical and atomic workers.
California Metal Trades Association—Various unions.
Radio Corporation of America—Electrical (IUE); electrical (IBEW).
American Can Co.—Steelworkers.
Caterpillar Tractor Co.—Automobile workers.
North American Aviation, Inc.—Automobile workers.
Ford Motor Co.—Automobile workers.
Pullman Inc. (Pullman-Standard Div.)—Steelworkers.
General Motors Corp.—Automobile workers.
Johnson and Johnson (New Brunswick, N.J.)—Textile workers (TWUA).
Construction industry, Associated General Contractors of America, and other employers (Northern California)—Carpenters.
Jewelry industry, Associated Jewelers, Inc., Jewelry Crafts Association, and other employers (New York, N.Y.)—Jewelry workers, Local 1.
Doll and toy industry, National Association of Doll Manufacturers, and other employers (New York, N.Y.)—Toy and Novelty Workers, Local 223.
Various Employers, St. Louis, Mo., area—Machinist, District 9.
Association of Master Painters and Decorators of the City of New York, Inc.—Painters, District Council 9.
Construction industry various employers (Western Pennsylvania)—Various unions.
Trucking industry, local cartage and over-the-road freight, various associations, and individual employers, Central States, Southeast and Southwest areas—Teamsters.
Distributors Association—Longshoremen's and Warehousemen's Union, Locals 6 and 17.
Truck Owners Association of California—Teamsters.
Deere and Co.—Automobile workers.
Coal industry (bituminous), various employers—United Mine Workers.
Railroad industry, various employers—Various nonoperating railway unions.
National Automobile Transporters Association—Teamsters, National Truckaway and Driveaway Conference.
Retail, Wholesale, and warehouse industries, various employers (New York, N.Y.)—Retail, Wholesale and Department Store Union, District 65 (65 Security Plan).
New York Shipping Association, Inc. (Port of New York)—Longshoremen's Association.
Maritime industry, various employers, Atlantic and Gulf Coasts—Maritime Union.
Maritime industry, various employers, Atlantic and Gulf Coasts—Marine Engineers.
Hotel Association of New York City, Inc.—New York Hotel and Motel Trades Council.
Restaurant industry, various employers (New York, N.Y.)—Hotel and Restaurant Employees, Local 89.
Realty Advisory Board on Labor Relations, Inc. (New York, N.Y.)—Building Service Employees.
Retail Drug industry various associations and employers (New York, N.Y.)—Retail, Wholesale and Department Store Union, Local 1199.
Retail trade industry, various employers (New York, N.Y.)—Retail Clerks.
Laundry industry various employers (New York, N.Y.)—Clothing Workers.
Maritime industry, various employers, Atlantic and Gulf Coasts—Seafarers.
Construction industry, various employers (New York, N.Y.)—Carpenters.

HOSPITALIZATION PLUS HEALTH BENEFIT PLANS FINANCED IN FULL BY PRIVATE EMPLOYERS

(Note: The table shows the company and the labor union establishing the agreement by contract.)

The American Sugar Refining Co. (Brooklyn, N.Y.)—Longshoremen's Association.

Swift & Co.—Meat cutters; packinghouse workers (UPWA); packinghouse workers (NBPW).

Armour and Co.—Meat cutters; packinghouse workers (UPWA).

American Millinery Manufacturers Association (New York, N.Y.)—Hatters, Cap and Millinery Workers.

Campbell Soup Co. (Camden, N.J.)—Packinghouse Workers (UPWA).

Lumber industry, various employers (Southern California)—Carpenters.

Furniture Manufacturers in Southern California, Industrial Relations Council of—Carpenters.

Brewers Board of Trade (New York, N.Y.)—Teamsters.

Clothing Industry, men's and boys', various employers—Clothing Workers, National Plan.

Furniture industry, various employers—Furniture Workers, National Plan.

Philip Morris, Inc.—Tobacco Workers.

Bigelow-Sanford Carpet Co., Inc.—Textile Workers (TWUA).

Continental Can Co., Inc., Robert Gair Paper Products Group—Papermakers and Paperworkers.

Printing Industry, Chicago Lithographers Association, and other employers—Lithographers, Local 4.

The B. F. Goodrich Co.—Rubber Workers.

Bethlehem Steel Co.—Steelworkers.

Luggage and leather goods industry, various employers—Leather Goods, Plastic and Novelty Workers, National Plan.

Publishers' Association of New York City—Typographers, Local 6.

Continental Can Co., Inc.—Steelworkers.

United States Rubber Co.—Rubber Workers.

APPENDIX III

RETIREMENT AND DISABILITY PROGRAM

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS, U.S. CIVIL SERVICE COMMISSION

	May 1973	Cumulative fiscal year	
		May 31, 1973	May 31, 1972
Receipts:			
Withholdings and contributions:			
Employees.....	\$178,030,708	\$1,926,747,948	\$1,850,658,479
Agencies:			
Federal.....	178,062,515	1,926,716,291	1,850,862,025
Non-Federal.....	4,924,017	37,757,884	35,523,491
Appropriations:			
New and increased annuities.....	0	546,570,000	436,152,000
Increase on unfunded cost, and military service annuities.....	0	0	0
Service credit deposits; redeposits.....	3,558,874	32,085,749	28,745,234
Voluntary contributions.....	86,800	612,887	758,035
Interest, etc., on investments.....	29,229,919	851,466,154	812,338,475
Total receipts.....	393,892,835	5,321,956,915	5,015,037,741
Disbursements authorized:			
Annuities:			
Retired employees.....	326,267,489	3,382,853,254	2,759,507,952
Survivors.....	52,513,575	547,097,080	481,642,852
Refunds:			
Separated employees.....	17,051,881	183,077,319	177,134,680
Deceased employees.....	990,071	9,444,368	9,553,669
Deceased annuitants.....	700,438	8,542,750	9,553,669
Voluntary contributions.....	3,459	210,514	277,585
Administrative expense:			
Due and paid.....	0	6,636,881	6,153,545
Advanced.....	0	2,700,000	2,049,000
Reimbursed.....	0	(1,376,304)	(1,422,864)
Other expense.....	0	422,107	(1,585,423)
Total disbursements.....	397,526,916	4,139,607,971	3,442,864,668
Net receipts.....	(3,634,080)	1,182,348,943	1,572,173,073
Analysis of balance in fund:			
Cash in CSC.....	30,689,802	30,689,802	17,657,124
Cash in Treasury.....	(6,158,130)	(6,158,130)	308,991,786
Total cash.....	24,531,671	24,531,671	326,648,911
U.S. securities (par).....	29,148,029,000	29,148,029,000	26,278,947,000
Unamortized discount, premium.....	10,990,045	10,990,045	10,889,554
Total assets.....	29,161,570,626	29,161,570,626	26,594,706,356
Number of checks:			
Annuities:			
Retired employees.....	842,892		758,251
Survivors.....	284,488		269,370
Refunds:			
Separated employees ¹	14,106	149,006	127,724
Deceased employees.....	336	3,450	4,234
Deceased annuitants.....	1,713	20,512	19,824
Totals.....	1,143,535	172,968	151,782

¹ Includes voluntary contribution refunds.

APPENDIX IV

TABLE B-10.—NUMBER OF EMPLOYEE ANNUITANTS AND SURVIVOR ANNUITANTS ON THE RETIREMENT ROLL AS OF JUNE 30, 1972, BY MONTHLY RATES OF ANNUITY

Monthly rates of annuity	Employee annuitants			Survivor annuitants			Children
	Total	Prior to 1962 law	1962 law and after	Total	Prior to 1956 law ¹	1956 law and after	
Under \$10.....	77	74	3	127	23	51	53
\$10 to \$19.....	1,978	1,870	108	3,704	2,201	926	577
\$20 to \$29.....	8,867	8,470	397	9,664	4,437	4,208	1,019
\$30 to \$39.....	10,362	9,416	946	11,820	4,989	4,874	1,957
\$40 to \$49.....	8,893	7,331	1,562	12,048	4,196	5,403	2,449
Subtotal, under \$50.....	30,177	27,161	3,016	37,363	15,846	15,462	6,055
\$50 to \$59.....	9,338	7,498	1,840	14,448	4,831	5,460	4,157
\$60 to \$69.....	12,445	9,644	2,801	20,737	6,079	7,587	7,071
\$70 to \$79.....	11,158	7,768	3,390	16,160	6,883	8,123	1,154
\$80 to \$89.....	7,613	4,723	2,890	58,772	4,115	5,031	49,626
\$90 to \$99.....	13,608	8,921	4,687	20,271	9,880	10,329	62
Subtotal, under \$100.....	84,339	65,715	18,624	167,751	47,634	51,992	68,125
\$100 to \$109.....	7,751	4,498	3,253	14,201	3,597	5,651	4,953
\$110 to \$119.....	12,735	7,681	5,054	10,888	3,338	7,550	.....
\$120 to \$129.....	10,445	6,122	4,323	9,117	2,413	6,704	.....
\$130 to \$139.....	14,319	7,927	6,392	11,520	3,181	8,339	.....
\$140 to \$149.....	13,095	6,959	6,145	9,519	2,408	7,111	.....
Subtotal, under \$150.....	142,684	98,893	43,791	222,996	62,571	87,347	73,078
\$150 to \$159.....	12,575	6,357	6,218	13,546	2,278	11,268	.....
\$160 to \$169.....	14,937	7,843	7,094	9,844	2,999	6,845	.....
\$170 to \$179.....	11,864	5,780	6,084	6,160	1,730	4,430	.....
\$180 to \$189.....	15,656	7,298	8,358	8,553	2,408	6,145	.....
\$190 to \$199.....	14,810	6,598	8,212	7,189	1,758	5,431	.....
Subtotal, under \$200.....	212,526	132,769	79,757	268,288	73,744	121,466	73,078
\$200 to \$249.....	86,940	30,486	56,454	27,586	5,680	21,906	.....
\$250 to \$299.....	91,341	28,848	62,493	15,609	2,211	13,398	.....
\$300 to \$349.....	74,517	13,843	50,674	8,604	897	7,707	.....
\$350 to \$399.....	65,164	19,705	45,459	4,891	472	4,419	.....
\$400 to \$449.....	52,572	13,380	39,192	2,985	235	2,750	.....
\$450 to \$499.....	38,785	8,811	29,974	1,822	123	1,699	.....
Subtotal, under \$500.....	621,845	257,842	364,003	329,785	83,362	173,345	73,078
\$500 to \$599.....	54,340	8,654	45,686	2,092	68	2,024	.....
\$600 to \$699.....	29,081	3,963	25,118	843	12	831	.....
\$700 to \$799.....	17,832	2,044	15,788	355	4	351	.....
\$800 to \$899.....	11,752	1,160	10,592	170	3	167	.....
\$900 to \$999.....	8,122	643	7,479	117	2	115	.....
Subtotal, under \$1,000.....	742,972	274,306	468,666	333,362	83,451	176,833	73,078
\$1,000 to \$1,099.....	5,555	315	5,240	.....	.....	.....	.....
\$1,100 to \$1,199.....	3,638	171	3,467	.....	.....	.....	.....
\$1,200 to \$1,299.....	2,393	83	2,310	.....	.....	.....	.....
\$1,300 to \$1,399.....	1,480	26	1,454	.....	.....	.....	.....
\$1,400 to \$1,499.....	982	26	956	.....	.....	.....	.....
Subtotal, under \$1,500.....	757,020	274,927	482,093	333,362	83,451	176,833	73,078
\$1,500 and over.....	1,449	22	1,427	.....	.....	.....	.....
Grand total.....	758,469	274,949	483,520	333,362	83,451	176,833	73,078

¹ Includes Public Law 85-465 widows.

Senator BURDICK. Next will be Mr. Nathan Wolkomir, president, the National Federation of Federal Employees.

STATEMENT OF IRVING GELLER, GENERAL COUNSEL, THE NATIONAL FEDERATION OF FEDERAL EMPLOYEES, ACCOMPANIED BY MICHAEL FORSCY, LEGISLATIVE COUNSEL

Mr. GELLER. The president of our organization could not be here, Mr. Chairman. I am the general counsel. I would like to present his statement.

May I introduce our legislative counsel, Mr. Michael Forscey.

I appear before you today to testify on behalf of enactment of H.R. 9256, a bill which would increase the Federal Government's contribution to the costs of the Federal employees' health insurance program.

The original intent of Congress in establishing for Federal employees a contributory health benefits program was to provide a system comparable to that available to employees of major industrial corporations in the private sector. That goal has not been met. Today many private sector employers are paying 75 percent and the trend in the major industrial corporations is toward 100-percent contribution by employers. In light of this, we believe that the enactment of H.R. 9256 is an essential first step in providing Federal employees with the kind of health insurance program they deserve.

If enacted in its present form, H.R. 9256 will increase the Government's contribution to 55 percent beginning in 1973; gradually escalating that contribution to 60 percent in 1974; 65 percent in 1975; 70 percent in 1976 and 75 percent beginning in 1977.

The cost to the Government, if the legislation is enacted, is projected at \$1.3 billion in 1977. Without minimizing the cost, we believe this can be considered expensive only if viewed in straight dollar and cents terms. But if we remember that a health benefits program is enacted to provide protection for the livelihood of employees, we realize that in human terms the price is a fair one.

In this connection we must remember that under the present system, costs to employees increase each time premiums are increased. These increases are often difficult for employees to bear. Since premiums are the same regardless of salary, the increased cost drains vitally needed income from those who need the funds to purchase the basic necessities of life.

In addition, while it is widely believed that a health care plan obviates the problem of medical expenses, in fact, the patient invariably has a balance he must pay after insurance reimbursement.

Under present economic conditions, these circumstances are creating a situation in which many Federal employees may be forced to forego participation in a health care program sometime in the future because the premium payments are needed for everyday necessities. While it is no elixir, H.R. 9256 will partially alleviate this problem by increasing the Government's contribution and commensurately reducing the individual employee's monthly premium.

But while NFFE supports H.R. 9256 for this reason, we are frankly less than satisfied with the role the Federal Government is playing

in the health insurance field. In previous appearances before this committee we have noted that the Federal Government is lagging far behind the trend in the private sector in this field. This is true even though, as we have stated, the intent of Congress in enacting the Federal employees' health benefit system was to provide to Federal employees a program comparable to that available in the private sector. We now believe the trend toward noncontributory plans among major private sector concerns is so clear that the Federal Government should commit itself to assume the total cost of the health benefit plans.

This solution is warranted because of the growing crisis in the health care delivery system in this country, and particularly because of the continuing failure of the Civil Service Commission to act on behalf of the Federal employee.

The House Subcommittee on Retirement and Employee Benefits has documented the component parts of the crisis; burgeoning surpluses for insurance carriers; inaccurate ratemaking procedures; inadequate services to subscribers and a general lack of accountability by anyone in the system.

The public has been led to believe that this crisis, like so many others we face today, results from increased costs, or lack of trained personnel, and that, therefore, no one is really to blame.

We reject this contention. While we realize increase costs are tied in with the general inflationary trend, medical costs have led the way by a wide margin for more than a decade. The evidence thus far produced indicates to us that the blame lies with the system itself, and that the evidence is now clear enough to warrant remedial action.

We, therefore, propose that in addition to initiating a noncontributory health benefits program, the Government should become the insurer of that program. We believe that such an approach would not only remedy the outrageous state of the present Federal program, but could also serve as a pilot for some kind of national health insurance program for all of our Nation's citizens.

The basic problem with the present system is the passive role taken by the Federal Government. The Federal employee is confronted with a bewildering number of insurance plans. The Government permits private firms to compete with one another and supposedly oversees their activities. But the competition engendered does not benefit the employee in any way, but rather confuses him and obfuscates the nature of the program.

The point here is that a program like this cannot be run with carriers pursuing their own interests which are, almost by definition, different from those of the employees. And while it may have been a novel notion 10 years ago, it is now generally accepted that a regulatory agency invariably serves the interests of the industry it is supposed to manage.

In saying this we assume no evil intent on the part of the parties involved, we merely state a fact. The individual employee is silent and anonymous while the carriers are familiar and omnipresent. This relationship creates a commonality of outlook and perspective on the part of regulator and the regulated, which benefits the employees only on rare occasions.

As an illustration of this point we refer the committee to a discussion of legislation similar to the bill under consideration today. In

that hearing in 1971, Mr. Ruddock, under questioning by the chairman, described a Catch-22 situation which clearly demonstrated that the major beneficiary of the present system is the carrier. We learned that Blue Cross was guaranteed a rate increase to offset a \$75 million deficit. So far as we can tell no effort was made to determine the reason for the deficit.

We think it could have been shown that Blue Cross was inefficient, failed to provide proper claims service and spent far too much money investigating claims. Even if this were all true, we were led to believe, Blue Cross would still be granted a rate increase to make ends meet.

We further learned that Blue Cross demanded a 1 percent risk charge—in other words a profit—and that this charge, about \$6 million, was not used to calculate a reduced deficit. Thus, no matter how badly the business is run, a profit is guaranteed and losses are recouped in the next fiscal year.

And now we are presented with the latest example of the incestuous relationship between the Commission and the insurers—this time with the aid of the Cost of Living Council. Under new contracts signed last month Blue Cross high option premiums will rise 19.3 percent—but because employees pay 60 percent of the total premium—the increase to them will be 26.7 percent. You will recall that the wage increase for Federal employees was limited to 4.7 percent. This health premium will substantially wipe out that pay raise.

In his 1971 testimony, Mr. Ruddock pointed out that Blue Cross had threatened to discontinue its service as a carrier if it could not be guaranteed a profit. A system which rewards incompetence by forcing the Government and the consumer to pay higher premiums, and is then threatened with discontinued service by the carrier who reaped those benefits, is not a good system and should be scrapped.

We have recently learned that the General Accounting Office will soon report to Congress on the advisability of the Government becoming a self-insurer for the Federal Employees Life Insurance program. The questions raised by such a study are strikingly similar to those we confront in the health insurance field. Are we getting the best buy we can? Is there collusion between the insurers and the administrators of the program? Are the insurers reaping hidden profits?

Mr. Chairman, in light of the above, NFFE not only endorses H.R. 9256, but respectfully suggests that the committee request GAO to study the feasibility of the Government becoming a self-insurer in the health field concurrent with its study of the life insurance program.

We thank you for giving us an opportunity to present our views here today.

Senator BURDICK. Thank you very much.

You support the legislation. The committee is certainly going to watch the GAO studies and will certainly bring to attention the request to extend the study.

Senator Fong?

Senator FONG. I have no questions.

Senator BURDICK. Thank you very much.

Mr. GELLER. Thank you.

Senator BURDICK. Our next witness is Mr. Arthur Sparks, president, National Association of Retired Federal Employees, accompanied by Judith Park, an able administrative assistant.

STATEMENT OF ARTHUR SPARKS, PRESIDENT, NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES, ACCOMPANIED BY JUDITH PARK, ADMINISTRATIVE ASSISTANT

Mr. SPARKS. Thank you very much, Mr. Chairman.

Chairman Burdick and members of the subcommittee, I am Arthur Sparks, president of the National Association of Retired Federal Employees. I will be very brief, Mr. Chairman.

I am pleased to appear before you this morning on behalf of our 182,000 members in support of H.R. 9256, the bill to increase the Government's contribution toward health benefit premiums for enrollees under the Federal Employees Health Benefits program, and to extend this coverage to retirees not presently eligible for enrollment under the program.

Our membership is composed exclusively of retirees of the Federal Government and their survivors, and with today's skyrocketing inflation, one of the major problems facing them is the maintenance of adequate health care coverage at prices which they can afford on their fixed retirement incomes.

Mr. Chairman, in the interest of time, I would like to ask that our statement in full be inserted into the record and allow me to briefly summarize the National Association of Retired Federal Employees' position on this legislation.

We fully support this bill, Mr. Chairman, as passed by the House of Representatives. We feel that the health benefit premium increases, scheduled to become effective January 1, 1974, make the need for an immediate increase in government contributions imperative, and we would hope that the Senate would see fit to provide for this immediate increase to no less than 55 percent.

Our association as a group composed solely of Federal retirees is especially interested, Mr. Chairman, in approval of section 2 of this bill, which would allow pre-July 1, 1960 retirees the option of electing coverage under the FESB program.

These early retirees are not presently eligible for this coverage, which is more liberal than the plans offered to them under the Retired Federal Employees Health Benefits program.

We feel that they should be made eligible for this more extensive coverage on the same basis as other employees and retirees.

Section 2 was included as part of H.R. 12202 in the last Congress, and we trust that the Senate will again favorably report this section of H.R. 9256.

I thank you, Mr. Chairman, for the opportunity to appear this morning and lend our support to this very important piece of legislation.

Thank you, sir.

Senator BURDICK. Thank you. Your full statement will be placed in the record.

Mr. Sparks, one of the problems we are facing, of course, is the opposition by the Civil Service Commission and presumably by the administration to go as far as this bill goes.

Would you be in favor of reducing the coverage in any way?

Mr. SPARKS. Reducing the coverage?

Senator BURDICK. The cost.

In other words, if we didn't go the full 75-percent route to get acceptance?

Mr. SPARKS. Yes, sir, we would appreciate very much and support the 55 percent at the present time and build our hopes on the future.

Mr. Ruddock made one statement this morning, sir, that there was a tendency, maybe, to overinsure by some of the Federal retirees. I wish he could have made the statement honestly this morning that some of the retirees were overpaid as well as overinsured. That would help us a lot.

Senator BURDICK. Is he correct? Do you know of any instances where a retiree would be overinsured?

Mr. SPARKS. I don't know, sir. Certainly not in my case. I just had a \$6,000 hospital bill and I know the circumstances.

Senator BURDICK. My other question had to do with a practical thing to try to get improvement in this bill. I wondered how you felt about some compromise on it if we had to do it.

This chairman doesn't want to compromise, but sometimes you have to face reality.

Mr. SPARKS. I understand, sir. We are not in any way trying to appear hoggish. We would welcome 55 percent for our Federal retirees, I am sure, if that is the best we can get out of the Congress.

Senator BURDICK. It isn't the Congress you are talking about totally, you know.

Senator FONG. In view of what Mr. Ruddock said, I hope you will study that problem in relation to your retirees who are now on medicare and medicaid.

Mr. SPARKS. Yes, sir. Some of our retirees, of course, are on medicare. They don't have both A and B unless they did have social security. We hope that some day they can be brought under where they will not have to pay that added coverage for the medicare program.

Senator BURDICK. Prior testimony today has revealed that a retiree pays the same premium as an active employee for health benefits. With the spiraling increases taken directly from a retiree's annuity, doesn't this present a hardship to those members particularly whose annuity falls below \$100 a month?

Mr. SPARKS. Yes, it is a definite drawback to them. These people who we are trying to bring in under this option, who are not qualified for this program now, a lot of them, will never be able to pay the premium. That is why we ask that it be optional to them.

Some of them cannot afford, with their income, to come under the new program.

Senator BURDICK. Then you really have no way to ascertain at this moment what the percentage of participation will be?

Mr. SPARKS. None whatsoever.

Senator BURDICK. You have no facts and no guesses or anything?

Mr. SPARKS. Nothing.

Senator BURDICK. Thank you.

Mr. SPARKS. Thank you, Mr. Chairman.

[Prepared statement follows:]

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SECRETARY
DAVID G. CHAPMAN
TREASURER

STATEMENT OF ARTHUR L. SPARKS, PRESIDENT
NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES
BEFORE THE
SENATE POST OFFICE AND CIVIL SERVICE COMMITTEE
SUBCOMMITTEE ON COMPENSATION AND EMPLOYMENT BENEFITS
HONORABLE QUENTIN N. BURDICK, CHAIRMAN
ON H. R. 9256

NOVEMBER 9, 1973

Chairman Burdick and Members of this Subcommittee, I am Arthur L. Sparks, President of the National Association of Retired Federal Employees (NARFE). I am pleased to appear before you this morning on behalf of our 182,000 members in support of H. R. 9256, the bill to increase the Government's contribution toward health benefit premiums for enrollees under the Federal Employees Health Benefits Program, and to extend this coverage to retirees not presently eligible for enrollment under the Program. Our membership is composed exclusively of retirees of the Federal Government and their survivors, and with today's skyrocketing inflation, one of the major problems facing them is the maintenance of adequate health care coverage at prices which they can afford on their fixed retirement incomes.

The provisions outlined in H. R. 9256 would be a major step forward in alleviating this worry, for by increasing the Federal Government's percentage contribution to health benefit premium cost, it would reduce the cost of such insurance for the retirees who are fortunate enough to have coverage under one of the Federal Employee Health Benefit Program's plans. It would further provide more extensive coverage for the retiree who retired from the Federal Service.

before the enactment of the Federal Employee Health Benefit Program by giving these older retirees the option of electing coverage under the FEHB Program, a choice heretofore denied to them.

NARFE fully supports the primary intent of H. R. 9256 to immediately increase the Government's contribution toward premium cost from the current 40 percent of premium to 55 percent, to be followed by an additional 5 percent increase each year hereafter until the Government's share of the premium reaches 75 percent. While we should like to see the Government pay 100 percent of health premium cost, a percentage assumed by many of the major private employers in this nation, we believe that the assumption of 75 percent of cost is justified now, in line with the President's recommendation for private industry's goal in his health care message to Congress some two years ago.

We are especially pleased that this Committee is acting early in an attempt to get this measure before the Senate for a vote before this First Session of Congress adjourns, as the proposed premium rate increases scheduled to become effective January 1, 1974, makes the need for this bill's provisions even greater than they were at the time of the bill's introduction.

The enactment of H. R. 9256 would be a special boon to the Federal retiree and his survivor, who by fact of retirement from the work force is in the upper age brackets where health care costs increase in frequency and whose fixed income status gives them less money to meet these increasing costs. While retirement income is too often only adequate to meet the cost of life's necessities, it certainly cannot be argued but that adequate and extensive health care insurance is a necessity in today's society. The decreased cost of such insurance coverage which would result from enactment of H. R. 9256 would be one small way of

lessening the financial worry of many of our Federal annuitants.

Annuitants who retired before July 1, 1960 were excluded from coverage under the plans available to employees and later retirees under the Federal Employees Health Benefits Program. Pre-1960 retirees were granted the privilege of full Medicare coverage (parts A and B) if they attained age 65 on or before January 1, 1968. Thus, a majority of the pre-1960 retirees do today have full Medicare coverage, but there are still many of them who are excluded from both Medicare coverage and coverage under the FEHB Program. The cost of securing adequate health insurance for these elderly persons is in most cases far in excess of their ability to pay, especially when compounded by the fact that these earlier retirees are the ones receiving the lowest annuities, and as noted before, their need for health care and corresponding coverage is greater.

Even those older retirees who do have full Medicare coverage are exasperated from securing enough coverage to realistically meet their medical needs, due to the high cost of such supplementary Medicare coverage on an individual basis, and the availability of the more extensive coverage provided by the FEHB plans, with the Government assuming a major percentage of the premium cost would greatly benefit them.

Therefore, NHEFE would ask that this Subcommittee and the full Committee give special attention and favorable report to Sec. 2 of H. R. 9246, which would permit the annuitant who retired before July 1, 1960 to elect coverage under one of the Federal Employee Health Benefit Plans if he so desired. Certainly these retirees should be granted the same benefits in regard to health care coverage as all other retirees and employees of the Federal Government. The Government's obligation to them should be no less than it is to others who have spent their careers in the Federal Service. We feel that all deserve to be treated equally, especially in so vital a field as health coverage.

We are pleased with the provision of this bill which gives the Civil Service Commission authority to overrule an insurance carrier's claim denial, if and when the Commission determines that such disputed coverage is within the scope of the carrier's contract according to the Commission's interpretation of that contract. We believe such a provision has long been needed in the laws, and we welcome this opportunity to endorse its enactment.

The National Association of Retired Federal Employees thanks this Subcommittee for its consideration of H. R. 9256, whose provisions are so important to all Federal Employees, annuitants and survivors. We fully support the provisions of this bill and trust that early action by the Committee and the Senate will put it on its way to enactment in the near future.

Senator BURDICK. Our next witness is Mr. John McCart, operations director, AFL-CIO Government Employees Council, Washington, D.C.

**STATEMENT OF JOHN McCART, OPERATIONS DIRECTOR, AFL-CIO
GOVERNMENT EMPLOYEES COUNCIL, WASHINGTON, D.C.**

Mr. McCART. There will not be a necessity for me to sit, Mr. Chairman.

Senator BURDICK. Are you for or against this bill?

Mr. McCART. I simply want to convey the message, Mr. Chairman, that the Government Employees Council and its 30 affiliated unions endorse H.R. 9256. There is really no necessity for me to embellish the record verbally. The subcommittee is fully aware of the problem from previous hearings as well as the current session.

I would like to request, Mr. Chairman, the opportunity to offer a statement for the record supplementing my remarks before the record is closed.

Senator BURDICK. That will be received.

Mr. McCART. In addition, Mr. Chairman, the next witness is Mr. Stanly Lewis, the executive vice president of the National Association of Letter Carriers, AFL-CIO, who was here earlier, but who had to leave because of some urgent business. He asked me to transmit to the subcommittee also the Letter Carriers Union's endorsement of H.R. 9256 and to repeat a similar request that his organization be permitted to file a statement prior to the closing of the transcript.

Senator BURDICK. Mr. Lewis and his organization may file a statement and it will be received.

I want to compliment you on a very effective statement.

Mr. McCART. Thank you, Mr. Chairman.

[The statements to be furnished were subsequently supplied for the record and follow:]

GEORGE J. KNALY, CHAIRMAN

J. STANLEY LOWES, VICE-CHAIRMAN

MICHAEL J. CULLEN, SECRETARY-TREASURER

Government Employees Council - AFL-CIO

TRUSTEES
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WASHINGTON, D. C. 20001

393-2820 - 393-2821

November 9, 1973

STATEMENT OF THE GOVERNMENT EMPLOYEES COUNCIL, AFL-CIO, TO THE SENATE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE ON H.R. 9256 AND RELATED
BILLS (HEALTH BENEFITS CONTRIBUTIONS)

Mr. Chairman and members of the Subcommittee:

The Government Employees Council and its 30 affiliated unions are deeply grateful to you for arranging this hearing on the Federal Employees' Health Benefits program and the extent of the Federal Government's participation in financing the system.

The Government Employees Council, AFL-CIO, endorses H.R. 9256.

We are grateful to you, Senator Burdick, and to Senators McGee, Moss, Hart, Humphrey, Pastore, Randolph, and Sparkman for your introduction of S. 1908.

When the general health plan was enacted in 1959, the principle underlying cost was that the employer and employee would share the expense equally. This assumption is found in Senate Report 468 and House Report 957, 86th Congress. However, the fact that the Federal Government was embarking on an overall program affecting the largest number of employees and dependents in the Nation resulted in language in the law limiting the 50-50 relationship to low option coverage. Nor could anyone foresee the dramatic growth in employer financed health plans in the private segment of the economy in the ensuing decade.

Today, more than 95% of Federal employees participate in high option plans. When the program was inaugurated, the Government's share of premium cost to this kind of coverage was about 35%. In September, 1970, Congress enacted Public Law 91-93, pegging the Government's contribution to health benefits cost at 40%. We are grateful, indeed, for this action. What it means, however, is that in the 13 years the program has been in existence, the employer's share of premiums has increased about 2%. In addition the goal envisioned when the system was inaugurated has never been achieved.

Contrast these developments to the trend among other employers in financing employee health coverage.

For more than 30 years, unions and management of the Tennessee Valley Authority have agreed on wage and salary levels and fringe benefits for employees through the collective bargaining process.

At present, TVA and its employees have a contributory health benefits program. The ratio of employer and employee contributions for family, high option coverage is approximately 90% and 10%. For salaried workers, TVA pays approximately 80% of the cost and the employee contributes 20%.

Table I appended to this statement supplies the actual monthly premium rates for these two groups of employees.

The method of arriving at this formula is of more than passing interest. A survey of some 50 private firms in the area serviced by TVA is undertaken. In addition, the Federal Government's practice is reviewed. The parties bargain on the basis of this study.

The most impressive point is that the private industry data producing the TVA method of financing is acquired in the following states - Tennessee, Kentucky, Mississippi, Alabama, and Georgia. As a matter of fact, introduction of the Federal Government's contribution formula has a depressing effect on the situation in TVA.

The Department of Labor has studied trends in health care coverage for workers over several decades. A recent examination by the Bureau of Labor Statistics compared the percentage of plant and office workers whose health care premiums are defrayed solely by employers. It shows clearly that in 1970-71 for both categories of workers a large and growing number of companies are extending free health insurance. A simple illustration of this finding is attached as Table II.

A Department of Labor press release dated December 31, 1971, highlights employer expenditures for supplemental benefits in private industry and Federal Service. The information discloses that for life, accident, and health insurance, private companies expended 2.6% more of payroll on these items than the Federal Government.

It is clear, then, that other industries have made rapid advances in recent years in assuming the entire cost of employee health coverage. The Federal Government during the same period has increased its share of health benefits payments by only 15% to a total of 40%.

At its biennial convention in October, 1973, the American Federation of Labor-Congress of Industrial Organizations adopted a program for the Federal employees represented by its unions. Included was -

"Legislation for the Federal Government to defray
the entire cost of health benefits -----."

There is ample justification for the Government to pay the entire cost of health coverage for its workers and their families, based upon the persuasive evidence offered earlier in this statement. Acceptance of H.R. 9256 will provide modest, but sorely needed, relief from the inequitable financial burden now carried by Federal workers in the area of health insurance.

Mr. Chairman, we believe deeply that simple justice requires that the Government accelerate the rate of its employer contribution to the Federal program. We urge, therefore, that the Subcommittee move promptly to accomplish this objective by approving H.R. 9256.

TABLE I

TENNESSEE VALLEY AUTHORITY

EMPLOYER AND EMPLOYEE SHARE OF HEALTH BENEFITS PREMIUMS

<u>SALARIED EMPLOYEES</u>		
<u>TOTAL PREMIUM</u>	<u>TVA PAYS</u>	<u>EMPLOYEE PAYS</u>
Individual \$13.35	\$10.70	\$2.65
Family 36.25	28.30	7.95
<u>TRADES AND LABOR</u>		
<u>TOTAL PREMIUM</u>	<u>TVA PAYS</u>	<u>EMPLOYEE PAYS</u>
Individual \$11.49	\$ 9.50	\$1.99
Family 33.48	29.50	3.98

TABLE II

Proportion of Workers in Metropolitan
Areas Covered by Noncontributory Health
Plans

1970-71

	<u>PLANT WORKERS</u>	<u>OFFICE WORKERS</u>
Hospital	69	57
Surgical	69	57
Basic Medical	64	53
Major Medical	43	49

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STATEMENT OF J. STANLY LEWIS, EXECUTIVE VICE PRESIDENT
NATIONAL ASSOCIATION OF LETTER CARRIERS

Chairman Burdick and Members of the Subcommittee:

The National Association of Letter Carriers is pleased to be afforded the opportunity to submit this statement urging your subcommittee to report out H.R. 9256 as it was passed by the House of Representatives.

Similar legislation proposing the increasing of the ratio of Government contributions to the Federal Employees Health Benefits Program has been introduced in each session of Congress from the inception of the health benefits program, and on each occasion, the National Association of Letter Carriers has supported and urged the adoption of the measures.

While the pending legislation, H.R. 9256, does not have direct impact upon postal employees, inasmuch as we were able to secure through collective bargaining processes increased payments on the part of the U. S. Postal Service from the 40 percent now paid by the Government under existing law to 55 percent, this legislation will greatly benefit those of our members who are on the Civil Service Retirement rolls.

The record is replete with testimony justifying the payment of a larger amount of health benefits premiums by the Government and it is not our intention to reiterate this information merely for the purposes of the record.

It would appear to us to be simple justice for the Federal employees to receive comparable benefits to those obtained by postal employees through the bargaining procedures. It is also simple justice that those persons who, by their long and faithful service, are now enjoying the benefits of retirement, should also receive the economic relief that would be afforded with the passage of this legislation.

Therefore, Mr. Chairman, we respectfully urge that your Committee take speedy action towards the enactment of this meritorious legislation.

Thank you.

Senator BURDICK. The next witness is Mr. Peter J. Connell, counsel, Aetna Life and Casualty, Washington, D.C.

STATEMENT OF PETER J. CONNELL, COUNSEL, AETNA LIFE AND CASUALTY; ACCOMPANIED BY MALCOLM McINTYRE, JR., GOVERNMENT RELATIONS ADMINISTRATOR OF THE GROUP DIVISION OF AETNA LIFE AND CASUALTY

Mr. CONNELL. I have with me Mr. Malcolm McIntyre, who has come from the home office in Hartford. He has a good many years' experience with the Federal Employees Health Benefits Act and the Indemnity Plan, which is the plan which Aetna operates.

I will be very brief and summarize my short statement.

We are appearing solely to discuss section 3 of H.R. 9256.

This is a section which we believe is important and it did not receive any consideration in the House subcommittee hearings or in the House debates.

We would appreciate it if this subcommittee would consider this section seriously.

Section 3 of the bill simply provides that each contract under this chapter "shall require the carrier to agree to pay for or provide a health service or supply in individual case if the Commission finds that the employee, annuitant or family member is entitled thereto under the terms of the contract."

In our view, this proposed amendment is unnecessary and undesirable. I would point out that in Mr. Ruddock's testimony today he reiterated the position taken earlier in the House by the Chairman of the Civil Service Commission who said, "We are not currently experiencing any problems in securing carriers' compliance with Commission decisions on interpretation of contract benefit provisions."

The amendment is unnecessary for several reasons:

First of all, there already exist adequate administrative and judicial remedies to make sure that carriers are meeting their responsibilities under their contracts with the Civil Service Commission. In the Indemnity Benefit Plan, operated by Aetna, on page two of the brochure that is given to all enrollees, it is explained that should they be denied benefits, and should they wish to contest that denial, they may contact the Civil Service Commission.

The Civil Service Commission in turn discusses this matter with us. It is reviewed by our coordinating office here in Washington, D.C. Further review is possible and is often taken, which involves review de novo by our medical and legal offices in Hartford.

If you care to get into the facts and circumstances, Mr. McIntyre has statistics which indicate that this administrative procedure is working very well.

Senator FONG. What does this actually mean?

Mr. CONNELL. As far as the administrative review is concerned?

Senator FONG. No, as far as the words are concerned. You say if the Commission says you pay, you pay? Is that what it is?

Mr. CONNELL. Yes, sir.

Senator FONG. In other words, any time the Commission has asked you to pay you have paid?

Mr. CONNELL. That is correct, sir.

We believe essentially it is unnecessary in that we are not experiencing any problems or any disagreements with the Commission. There are other procedures, administrative and judicial, for reconciling any differences which may present themselves.

Also, I think it is important to note that the section in our view is grossly deficient in terms of procedural due process. There is no provision in the proposed amendment which calls for any procedural standards.

Senator FONG. Are you afraid that the Commission may go wild and order you to pay a claim which is not justifiable? Is that what you are worried about?

Mr. CONNELL. Yes, that is correct. I think it is also important to note that the provision doesn't say anything about how depositions might be taken, how witnesses might be qualified, whether or not a decision of the Commission could be appealed to a court, the standards that would be used for judicial review of such a matter.

It seems to us to be not only a departure from the traditional way in which the Health Benefits Act has been administered, but a marked departure from fundamental concepts of administrative law as well.

Senator FONG. Have you ever had an occasion when you haven't paid when the Commission asked you to pay?

Mr. CONNELL. Very, very few, sir, if any. We had in the year of May 1972 to May 1973 about 870 occasions in which the Commission asked us to take another look at the decision that had been made by the field office.

When we took that second look and reviewed the facts, and in some cases additional facts provided to us, we paid 155 of these claims right away.

With respect to some of the others that we did not think we should pay, further review was had by our medical officers and our legal officers. When you consider that there are something like 460,000 people covered by the Indemnity Benefit Plan and there were only 870 occasions in a year that came up where individuals felt that they were improperly denied benefits, it is really, I think, quite a small problem. I think it is being handled quite well under the present procedures.

Senator FONG. In other words, in some cases you feel that the employee is not covered because of injury or certain things that happened outside of his employment?

Mr. CONNELL. It may be a question of whether or not a procedure was necessary or elective. It may be a question of the fee, whether the fee is too high.

Mr. McIntyre will discuss this more, if you are interested. Aetna does try to maintain cost controls. Sometimes a bill will be presented which we feel is extraordinarily high and we wouldn't want to pay the entire bill, which we feel is unreasonable. In that case, an employee may feel that we ought to be paying the whole bill and we take another look at it and review it and compare the bill with charges that are made for comparable services by other physicians or hospitals in that particular area. In short, I think we feel that the present procedures are adequate. There are adequate protections for the people enrolled in this program.

No evidence at all has been adduced in the House hearings that would indicate that this kind of a radical change is at all required.

Finally, I would just point out that Mr. Webber in his testimony indicated some support for section 3 of the bill and said that the decisions as to whether benefits should be paid "should not be left to the judgment of the carrier which is obviously acting in a manner affecting its own self-interest."

I think that Mr. Webber misconceives the issue. Aetna is paid a flat fee for administering this program. If this new procedure were to be enacted and if the Commission were to require payment of a large number of questionable claims, this would in no way affect Aetna's profit. Money to pay these claims would have to be taken from reserves and that might be reflected in the premiums charged to the Government employees the next year.

So we are really not here simply as a matter of our own pecuniary self-interest but rather to indicate that we feel that the amendment is not necessary.

Senator FONG. And you only get a fee for handling this?

Mr. CONNELL. Yes, sir, that is correct.

Senator FONG. Whether you deny or don't deny you still get the fee?

Mr. CONNELL. That is exactly right.

Senator FONG. And it is the same fee?

Mr. CONNELL. Yes, sir.

Senator FONG. So if you deny it, the Government doesn't have to pay out so much money?

Mr. CONNELL. That is correct, sir.

Senator BURDICK. May I ask a question along the same line?

I understand now that administrative appeal is available to anyone covered?

Mr. CONNELL. Yes, sir.

Senator BURDICK. But the decision of the Commission is not necessarily final as far as the parties are concerned?

Mr. CONNELL. That is correct.

Senator BURDICK. What happens if the covered person is unhappy with the decision of the Commission?

Mr. CONNELL. If he is unhappy with the decision? Let's suppose he is denied a benefit by Aetna. He appeals this to the Commission and the Commission agrees that payment should not have been made in this case; his recourse then is to sue Aetna in court, and we have been sued. We haven't been sued very many times which, again, I think, relates to the necessity for this proposed change. But there is judicial recourse. He can take us to court. If he can prove that we are not meeting our responsibilities under the contract, then we would pay.

Senator BURDICK. Are you a lawyer?

Mr. CONNELL. Yes, sir.

Senator BURDICK. And I am a lawyer. As a practical thing some low-paid employee who doesn't get the claim paid, what chance would he have of going through the judicial process as a practical matter?

Mr. CONNELL. As a practical matter, sir, I suppose that depends a lot on how big a claim it is. If it is under \$500, I would guess in most jurisdictions he could take the matter into small claims court. If it is

over \$500 then, of course, he would have to hire a lawyer. Obviously, that presents difficulties.

Senator BURDICK. This is almost like a \$100 bend in a fender, you can't afford to do anything about it.

Mr. CONNELL. That is right.

Senator BURDICK. This is the problem that I see.

Senator FONG. Have there been any occasions when the Commission said to pay it and you refused to pay it?

Mr. CONNELL. I would like Mr. McIntyre to respond to that because he has been administering this for many years.

Mr. MCINTYRE. Senator Fong, to my knowledge in the 13 years in which we have been involved in the plan, I do not know of any case in which the Commission has asked us to pay after their thorough review and our thorough review where we have refused to pay.

Senator FONG. You have paid some claims which you think should not have been paid and the Commission, after reviewing it, said you should pay it? You have paid it?

Mr. MCINTYRE. That would only be, Senator, if we had proper documentation that the claim should be paid under the provisions of the contract.

Senator BURDICK. What confuses me is why does this amendment or why does this section of the bill always pop up in all these bills if there is no abuse out in the field? Is this a theoretical thing?

Mr. CONNELL. Senator, I suppose we can only speak for Aetna. There is no abuse as far as Aetna is concerned. I am not really sure what is in the minds of the proponents of this legislation. There may be difficulties with some of the other carriers. We certainly have not experienced difficulties. The Civil Service Commission, in its testimony here, which corresponds with its position in the House committee, has indicated that it is not presently experiencing any problem in securing carrier compliance with its decisions.

Senator BURDICK. What you are contending as far as Aetna is concerned that there is no abuse as far as Aetna is concerned to be corrected here?

Mr. CONNELL. That is correct.

Senator BURDICK. You may proceed.

Mr. CONNELL. I think, Senator, those are really the major points that we wanted to make. If the intent of the amendment is to insure that the enrollees receive everything they have coming to them, I would just like to make it clear that that is obviously an objective that we share.

I believe our record of the past 13 years indicates we have met our responsibilities in that regard. Therefore, we see no necessity for this amendment. We feel it is quite deficient in terms of procedural due process and we would respectfully urge that it be stricken from the bill.

Senator BURDICK. I would like to ask you a converse question. If there is no abuse, why do you have fear from it?

Mr. CONNELL. Let me answer that this way, Senator. I get along fine with my next-door neighbor and I haven't had any disputes with my next-door neighbor in the years I have lived in my house, over property boundaries or anything else. But if the legislature were consider-

ing a bill that would give my next-door neighbor the authority to decide with finality any disputes which he and I might have in the future with respect to property boundaries I would oppose that bill on the grounds that, (a), it is unnecessary; (b), it is unfair, and (c), we already have courts that can handle problems like that. I think we are in a somewhat similar position with respect to this particular provision.

Senator BURDICK. I am afraid the analogy doesn't hold water because you have one neighbor across the hedge from the other neighbor on an equal status. But here you have one little employee against a big company. It is a little different situation.

Mr. CONNELL. If there were abuses, if Aetna were not paying claims that should be paid, if the Commission experienced some difficulty in securing our compliance, I think they could lean on us next time we came around to negotiate contracts.

Senator BURDICK. We are going to ask if anybody has any evidence of abuses.

Mr. CONNELL. That is fine.

Senator BURDICK. Of course, if there is no abuse, the argument for it lessens of course.

Are there any further questions? If not, thank you very much.

In closing the hearings, I would like to state the support of the American Postal Workers Union and the National Association of Government Employees of H.R. 9256, and their statements will be made part of the record.

That will conclude the hearing.

[Whereupon, at 11:20 a.m., the subcommittee recessed, to reconvene subject to the call of the chair.]

[The aforementioned prepared statements follow:]

STATEMENT OF PETER J. CONNELL, WASHINGTON COUNSEL
AETNA LIFE & CASUALTY
BEFORE
SUBCOMMITTEE ON COMPENSATION & EMPLOYMENT BENEFITS
SENATE COMMITTEE ON POST OFFICE & CIVIL SERVICE
ON
H. R. 9256
FRIDAY, NOVEMBER 9, 1973

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I am Peter Connell, Washington Counsel for Aetna Life & Casualty. I am accompanied by Mr. Malcolm McIntyre, Jr., Government Relations Administrator of the Group Division of Aetna Life & Casualty.

Since 1960 Aetna has contracted with the Civil Service Commission--on behalf of itself and many other insurance companies which reinsure the contract--to provide the Government-wide Indemnity Benefit Plan authorized by the Federal Employees Health Benefits Act (FEHBA). We appear here this morning for the limited purpose of testifying with respect to section 3 of H. R. 9256. This important section proposes a marked departure from the traditional administration of the FEHBA program and received no consideration in either the hearings or the floor debates in the House. In the interest of brevity, we will keep this statement short and to the point. We will be glad to respond to any questions the subcommittee may have.

Section 3 of the bill would amend the Federal Employees Health Benefits Act to provide that: "Each contract under this chapter shall require the carrier to agree to pay for or provide a health service or supply in an individual case if the Commission finds that the employee, annuitant, or family member is entitled thereto under the terms of the contract." In our view such an amendment is unnecessary and highly undesirable.

The amendment is unnecessary because adequate administrative and judicial remedies are already available to assure that a carrier continues to meet its responsibilities under its contract with the Civil Service Commission.

The opportunity for administrative appeal in the case of the denial of a benefit under the Indemnity Benefit Plan is noted on page 2 of the brochure (BRI 41-24), which is distributed to enrollees and which is an integral part of our contract with the Civil Service Commission. If an enrollee is aggrieved by a decision that benefits are not payable under the terms of the plan, he may seek an impartial review by the Bureau of Retirement, Insurance and Occupational Health of the Civil Service Commission. In such cases, our coordinating office in Washington, D. C., independently reviews the decision of the field office and discusses the matter with representatives of the Bureau. I am advised that there have been very few, if any, instances since the inception of the plan in 1960 in which we and the Bureau representatives have disagreed on the resolution of a claim once all the facts were available. In case of disagreement, however, the matter would be referred to the medical and legal officers at our home office for further review and decision.

Judicial relief is also available. Legal action may be instituted by either the Civil Service Commission or by an aggrieved enrollee sixty days after written proof of claim has been furnished.

It is our position that, where honest differences arise between parties to a contract those parties should endeavor to settle those differences and, failing that, the matter should be decided by a court of competent jurisdiction. This is the arrangement which presently obtains. The proposed amendment would alter that by according to one of the contracting parties--the Commission--a carte blanche to adjudicate these issues and to make binding decisions with respect to the meaning of the contract. By making this new authority an integral part of the contract itself, the proposed amendment would effectively insulate the Commission's decisions on such matters from judicial review; for having contracted to accept the authority proposed for the Commission, a carrier could not easily challenge its exercise in court. Moreover, the proposed authority to decide entitlements is set forth with no procedural requisites or standards of any kind. There are no procedures for filing pleadings; taking depositions or other forms of oral testimony; authenticating documentary evidence; qualifying witnesses; submitting briefs or oral arguments; or for judicial review of a Commission decision. This represents a departure not only from present practices under the FEHBA program but from fundamental concepts of administrative law. In short, section 3 seeks to accord to one contracting party full, and virtually ultimate, adjudicative authority with no criteria for its exercise and without any of the safeguards which would be available to the other contracting party in a court of law.

We respectfully submit that section 3 is seriously deficient in providing for procedural due process--to the insured as well as to a carrier--and is unnecessary. Indeed no evidence whatever was adduced in the House subcommittee hearings to justify this proposed revision.

Finally I would point out that Aetna Life & Casualty is paid a flat fee for administering the Indemnity Benefit Plan. This fee is established irrespective of the number or size of claims paid. Should section 3 be enacted, and should that result in the payment of a large number of questionable claims, those claims would be paid from reserves. This in turn would affect premium levels which are established on the basis of experience; it would not affect the profit of Aetna Life & Casualty or the other companies which reinsure the contract.

Thus the question before this subcommittee is whether to establish an open-ended, procedurally deficient mechanism for adjudicating claims disputes in the absence of any evidence whatever supporting the need for so drastic a change when the effect on premium levels would be thoroughly unpredictable.

We take it that the objective of the proposed amendment is to assure that enrollees receive the full measure of benefits to which they are entitled under the various plans. We share that objective. And we believe that our record over the past thirteen years testifies to our commitment to meet our responsibilities under the Indemnity Benefit Plan. Because of the absence of any evidence to the contrary, we respectfully urge that section 3 be stricken from H. R. 9256.

I thank the subcommittee for this opportunity to appear here this morning and we would be glad to try to answer any questions you may have.



American Postal Workers Union, AFL-CIO

817 14TH STREET, N. W., WASHINGTON, D. C. 20005

STATEMENT OF
PATRICK J. NILAN, LEGISLATIVE DIRECTOR
AMERICAN POSTAL WORKERS UNION (AFL-CIO)
ON H.R. 9256
PROPOSING THE FEDERAL GOVERNMENT SHALL INCREASE
ITS SHARE TO 75% OF THE COST OF HEALTH INSURANCE
FOR FEDERAL EMPLOYEES & ANNUITANTS
BEFORE THE
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS
OF THE
SENATE POST OFFICE & CIVIL SERVICE COMMITTEE

NOVEMBER 9, 1973

Mr. Chairman and Members of the Committee:

For the record, I am Patrick J. Nilan, National Legislative Director of the American Postal Workers Union (AFL-CIO) with offices at 817-14th Street, N.W., Washington, D.C.

Mr. Chairman, the American Postal Workers Union, speaking in behalf of more than 325,000 postal employees for whom we are the Exclusive National Representative for labor-management relations and collective bargaining with the U.S. Postal Service, welcomes wholeheartedly the opportunity to present its views on H.R. 9256, which provides for an increase in the government contribution toward health benefits for Federal employees and postal retirees.

H.R. 9256 passed the House on September 20, 1973 by a vote of 217-155 and we are pleased and grateful to you, Mr. Chairman, for holding hearings on this long overdue and vitally needed legislation.

While we endorse the principle of 100% government contribution toward health benefits by the employer, we nonetheless, view this as a giant step in that direction. As you know, Mr. Chairman, the APWU along with the other exclusively recognized postal unions, was successful in negotiating in our most recent contract, a provision that would increase the U.S. Postal Service contribution toward health benefits from 40% to 55% on July 21, 1973, and to 65% July 21, 1974. Unfortunately, this applied only to those postal employees in the bargaining units represented by the exclusive postal organizations. This, of course, does not include the many thousands of postal retirees who are not in the bargaining unit and therefore, did not receive an increase in the employer's contribution toward their health benefits. Needless to say, these are the people who can least afford to pay the lion's share of their health benefit premiums.

In addition to those postal employees presently retired, any postal employee contemplating retirement would receive a reduction from the present level of 55% as an active employee in the U.S. Postal Service to 40% as a Civil Service retiree. Should they retire after July 21, 1974, the reduction is even greater since it would be from 65% to the present 40% level.

Mr. Chairman, a relatively small group of Federal and Postal retirees not presently covered under the Federal Employees Health Benefits Act are those who retired prior to July 1, 1960. H.R. 9256 will correct that inequity and we urge that section to be included in final passage of the bill.

Therefore, Mr. Chairman, we ask that your Committee expeditiously approve and report to the Senate, H.R. 9256.



THE LARGEST INDEPENDENT GOVERNMENT UNION IN THE COUNTRY

NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES
1341 G STREET N.W. WASHINGTON, D.C. 20005

202/628-4662

STATEMENT ON HR 9256, A BILL ON HEALTH BENEFITS BEFORE
THE SUBCOMMITTEE ON POST OFFICE AND CIVIL SERVICE BENEFITS
OF THE SENATE COMMITTEE ON POST OFFICE AND CIVIL SERVICE

The National Association of Government Employees is very much in favor of improving the Federal Employees Health Benefit Program through HR 9256. This area is of extreme importance as witness the continuing studies and proposals for a nation-wide government health insurance program, as well as the marked increase in employer contribution in the private sector.

The present governmental payment of 40% for its employees health insurance is unreasonable in any context. A great number of private sector employers are paying anywhere from 70% to 100%. In addition, this is part of an employees so-called pay package in the private sector so the 5.5% Cost of Living Council's ceiling includes this and other benefits on the base pay figure upon which the 5.5% is computed. Not so for Federal employees who are, therefore, short changed on both ends of the pay spectrum.

The huge increases in the cost of health care, as well as the built-in lag in employees pay causes an unconscionable burden which could more easily be picked up by the government through application of some of the excess principal in the Civil Service Retirement Fund. This position is shared by the American Federation of Government Employees and so additional mathematical input here would be superfluous.

The government has recently granted the Postal Service a comparable increase in health insurance payments and there would be clear inequity in denying similar provisions for other Federal employees. After initial increase in the government's share to 55%, a bill provides for a gradual increase of 5% a year up to 1977 where a 75% ceiling is reached. This is not a large amount when compared with what so many private sectors employers are paying. The NAGE feels that 100% would not be too great to ask, but we can live with this for the time (the problem is, of course, taking four (4) years to catch up with the private sector - an unbelievable lag).

As to the bill's other provisions, they seem both reasonable and equitable. Retirees are more susceptible than others to serious illness and injury by virtue of their uniformal greater median age- the cost figures on their share increase is not valid due to the constant change in their number. And the third provision giving the Civil Service Commission definition and final authority to regulate rather than advisory authority is a necessary step. The insurance carrier which is by definition acting in its own self-interest cannot be allowed the luxury of self-regulation in such a sensitive area.

In summary, the NAGE goes on record as wholeheartedly supporting this legislation and wishes to thank the subcommittee for the opportunity to submit our comments. Please be assured we will do everything in our power to assure the speedy passage of this bill and we will hold ourselves available to all the members of the subcommittee if we can be of any assistance.

The legislation fills a definite need in the day to day living of the Federal employee and the final passage will only ensure a more equitable distribution of such costs in live with the rapidly increasing costs to workers in all other areas.

James L. O'Dea
Legislative Counsel
National Association of
Government Employees

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